



State of Tennessee
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2011



Comptroller of the Treasury / Division of State Audit





STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
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March 26, 2012

The Honorable Bill Haslam, Governor
and
Members of the General Assembly of Tennessee
State Capitol
Nashville, Tennessee 37243-9034

Ladies and Gentlemen:

We are pleased to submit the twenty-eighth *Single Audit Report* for the State of Tennessee. This report covers the year ended June 30, 2011. The audit was conducted in accordance with the requirements of the Single Audit Act Amendments of 1996 and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

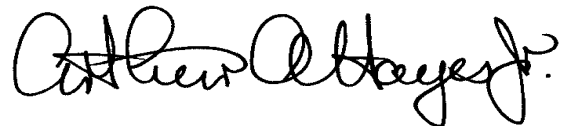
This *Single Audit Report* reflects federal expenditures of over \$16.9 billion. We noted instances of noncompliance that resulted in qualified opinions on compliance for seven of the state's thirty-two major federal programs. In addition, we noted other instances of noncompliance that meet the reporting criteria contained in OMB Circular A-133. We also noted material weaknesses and significant deficiencies in internal control over compliance with requirements related to federal programs. The instances of noncompliance, material weaknesses, and significant deficiencies related to federal programs are described in Section III of the Schedule of Findings and Questioned Costs.

March 26, 2012
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The *Comprehensive Annual Financial Report* of the State of Tennessee for the year ended June 30, 2011, has been issued under a separate cover. In accordance with the standards applicable to financial audits contained in generally accepted government auditing standards, we are issuing our report on our consideration of the State of Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. We noted two deficiencies that we considered to be material weaknesses in internal control over financial reporting. We noted two deficiencies that we considered to be significant deficiencies in internal control over financial reporting. We noted no instances of noncompliance that we considered material to the state's basic financial statements. The material weaknesses and significant deficiencies in internal control over financial reporting are described in Section II of the Schedule of Findings and Questioned Costs.

We would like to express our appreciation to the Department of Finance and Administration and other state agencies, universities, and community colleges, for their assistance and cooperation in the single audit process.

Sincerely,

A handwritten signature in black ink, reading "Arthur A. Hayes, Jr." in a cursive script.

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

**State of Tennessee
Single Audit Report
For the Year Ended June 30, 2011**

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Selected Statistical Data

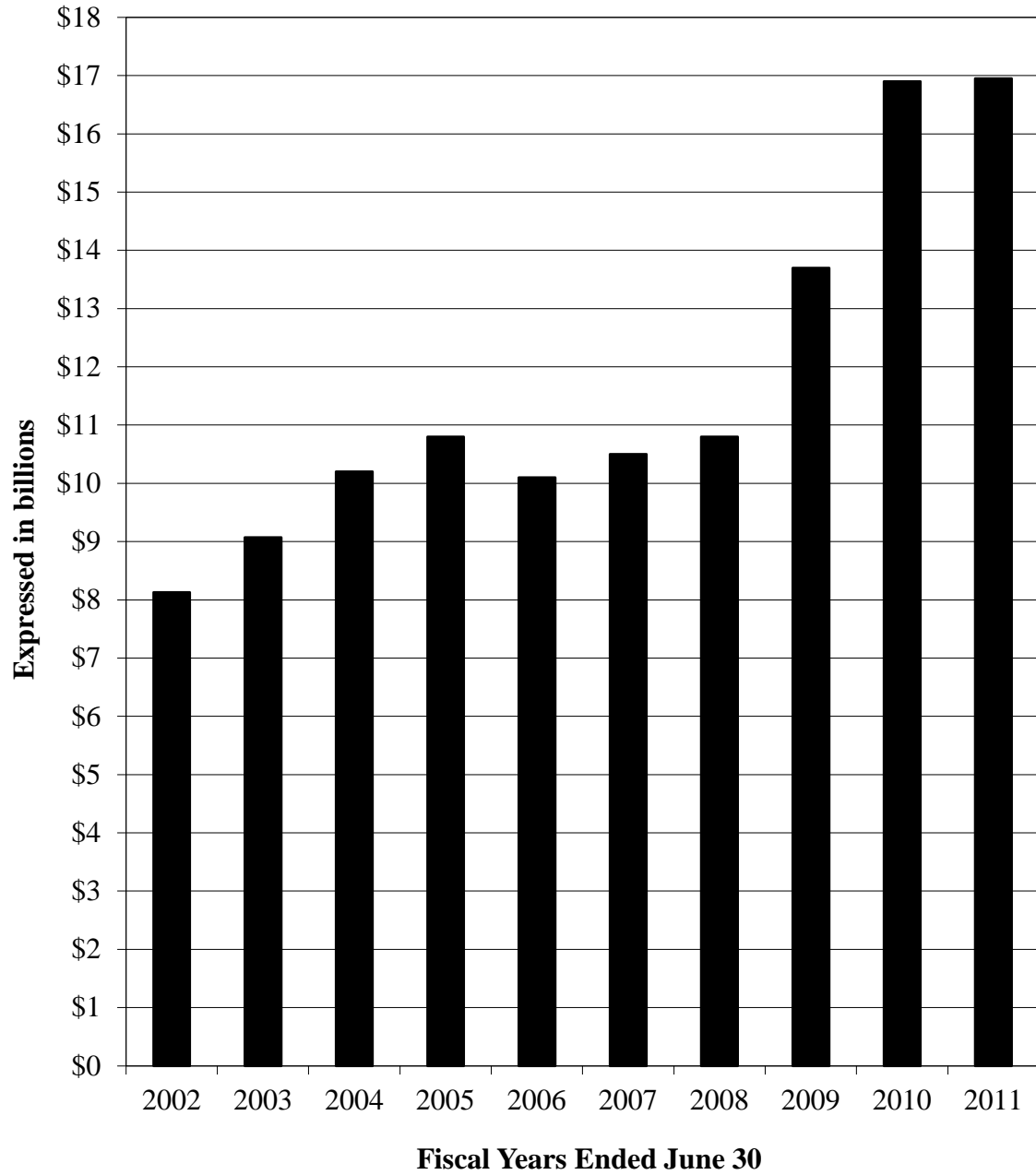
Total Federal Expenditures – Ten-Year Summary

Expenditures by Awarding Agency

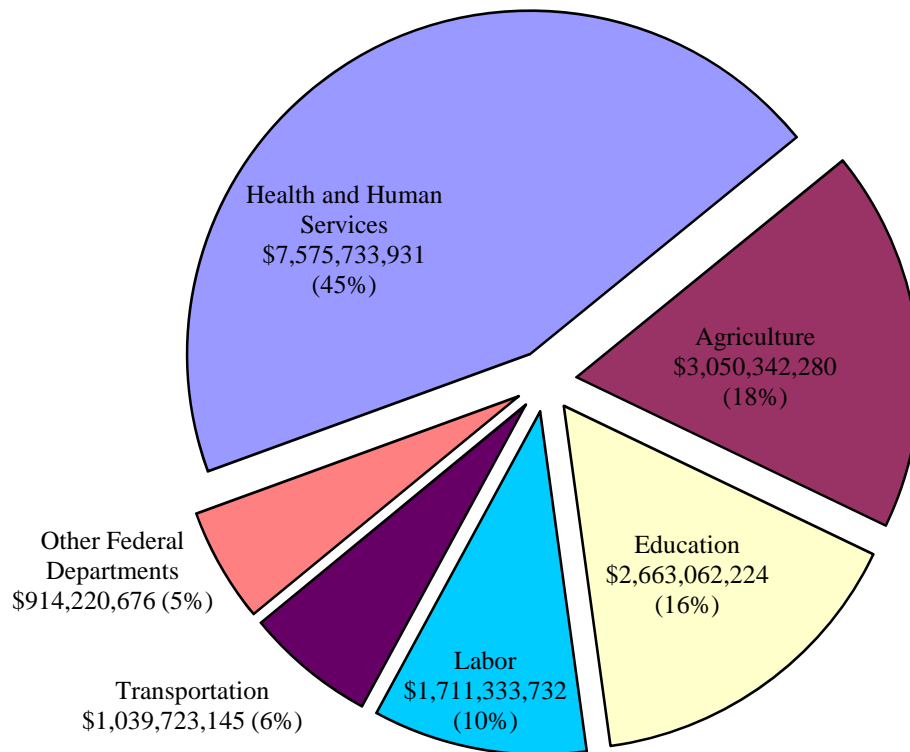
Number of Type A and Type B Programs

Type A and Type B Program Expenditures

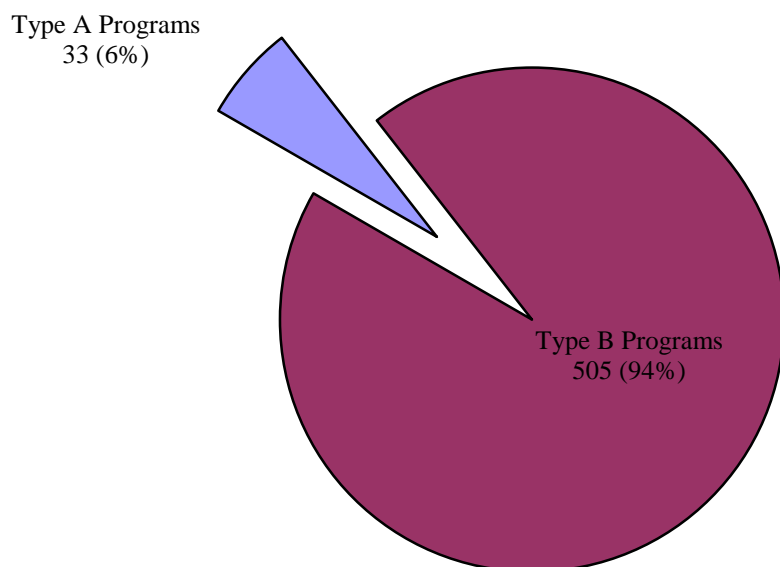
Total Federal Expenditures - Ten-Year Summary



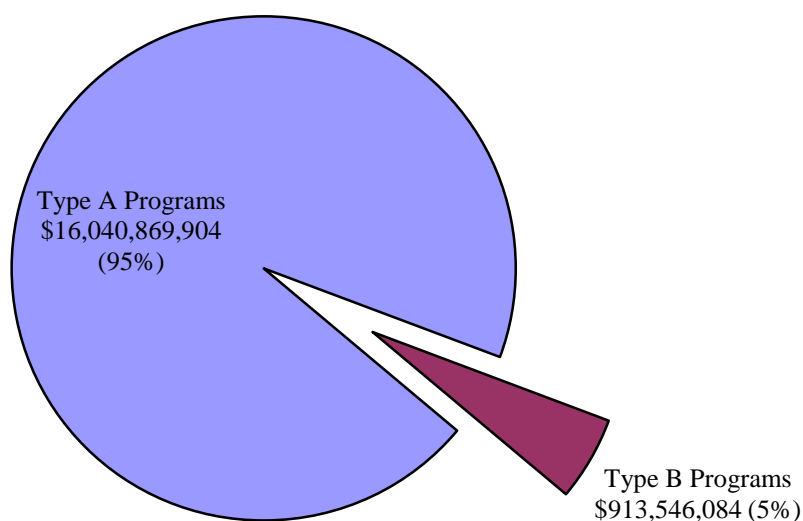
Expenditures by Awarding Agency
July 1, 2010, through June 30, 2011



Number of Type A and Type B Programs



Type A and Type B Program Expenditures



Type A programs for the State of Tennessee are defined as federal programs with expenditures exceeding the larger of \$30 million or fifteen-hundredths of one percent (.0015) of total federal awards expended. For the fiscal year ended June 30, 2011, the Type A program threshold for the State of Tennessee was \$31,040,595. Those federal programs with expenditures below the Type A threshold are labeled Type B programs.

Auditor's Reports

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards



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**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

December 29, 2011

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243-9034

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Tennessee as of and for the year ended June 30, 2011, which collectively comprise the State of Tennessee's basic financial statements, and have issued our report thereon dated December 29, 2011. As discussed in Note 3 to the financial statements presented in the *Tennessee Comprehensive Annual Financial Report*, the State of Tennessee implemented the Governmental Accounting Standards Board's Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards.

Internal Control Over Financial Reporting

Management of the State of Tennessee is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State of Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial

statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Tennessee's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in 11-DFA-07 and 11-DOT-08 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in 11-DFA-06 and 11-DOT-09 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under generally accepted government auditing standards.

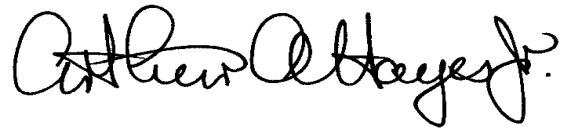
We noted certain matters that we reported to management of the State of Tennessee in separate letters.

December 29, 2011
Page Three

The State of Tennessee's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the State of Tennessee's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee, management, and the appropriate federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

A handwritten signature in black ink, reading "Arthur A. Hayes, Jr." with a stylized, cursive script.

Arthur A. Hayes, Jr., CPA
Director

AAH/ras



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**Report on Compliance With Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control Over Compliance in Accordance With
OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards**

March 26, 2012

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243-9034

Ladies and Gentlemen:

Compliance

We have audited the State of Tennessee's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State of Tennessee's major federal programs for the year ended June 30, 2011. The State of Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of Tennessee's management. Our responsibility is to express an opinion on the State of Tennessee's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in generally accepted government auditing standards; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about

whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the State of Tennessee's compliance with those requirements.

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Tennessee did not comply with the requirements listed below for the federal programs listed below. Compliance with such requirements is necessary, in our opinion, for the State of Tennessee to comply with the requirements applicable to those programs.

Finding Number	Major Program Name (CFDA Number)	Types of Compliance Requirements
11-DOT-02	Formula Grants for Other Than Urbanized Areas (20.509)	Equipment and Real Property Management
11-DOT-06	Formula Grants for Other Than Urbanized Areas (20.509)	Subrecipient Monitoring
11-TDEC-01	Capitalization Grants for Clean Water State Revolving Fund (66.458)	Subrecipient Monitoring
11-TDEC-01	Capitalization Grants for Drinking Water State Revolving Fund (66.468)	Subrecipient Monitoring
11-DHS-01	Weatherization Assistance for Low-Income Persons (81.042)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
11-DHS-02	Weatherization Assistance for Low-Income Persons (81.042)	Eligibility
11-DHS-09	Low-Income Home Energy Assistance (93.568)	Subrecipient Monitoring
11-DHS-10	Low-Income Home Energy Assistance (93.568)	Allowable Costs/Cost Principles, Eligibility, Subrecipient Monitoring

Finding Number	Major Program Name (CFDA Number)	Types of Compliance Requirements
11-DCS-01	Foster Care – Title IV-E (93.658)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility
11-DCS-01	Adoption Assistance (93.659)	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility
11-DCS-02	Adoption Assistance (93.659)	Allowable Costs/Cost Principles, Eligibility

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Tennessee complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those compliance requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 11-DFA-01, 11-DFA-03 through 11-DFA-05, 11-DHS-03, 11-DHS-04, 11-DHS-06 through 11-DHS-09, 11-DOT-03 through 11-DOT-06, 11-ETSU-01, 11-ETSU-02, 11-LWD-01, 11-TSAC-01 through 11-TSAC-03, 11-TSU-01, and 11-UT-01 through 11-UT-04.

Internal Control Over Compliance

Management of the State of Tennessee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State of Tennessee's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Tennessee's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain

deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 11-DCS-01, 11-DCS-02, 11-DHS-01, 11-DHS-02, 11-DHS-09, 11-DHS-10, 11-DOT-02, 11-DOT-06, 11-DOT-07, and 11-TDEC-01 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 11-DFA-01, 11-DFA-02, 11-DFA-04, 11-DFA-05, 11-DHS-03 through 11-DHS-08, 11-DHS-10, 11-DOE-01, 11-DOT-01, 11-DOT-03 through 11-DOT-06, 11-ETSU-01, 11-ETSU-02, 11-LWD-01, 11-TSAC-02, 11-TSU-01, and 11-UT-01 through 11-UT-04 to be significant deficiencies.

Schedule of Expenditures of Federal Awards

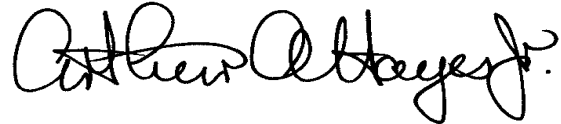
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Tennessee as of and for the year ended June 30, 2011, and have issued our report thereon dated December 29, 2011. As discussed in Note 3 to the financial statements presented in the *Tennessee Comprehensive Annual Financial Report*, the State of Tennessee implemented the Governmental Accounting Standards Board's Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the State of Tennessee's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

March 26, 2012
Page Five

The State of Tennessee's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the State of Tennessee's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee, management, and the appropriate federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

A handwritten signature in black ink, reading "Arthur A. Hayes, Jr." in a cursive script.

Arthur A. Hayes, Jr., CPA
Director

AAH/ras

Auditor's Findings

Schedule of Findings and Questioned Costs

Section I – Summary of Auditor's Results

Section II – Financial Statement Findings

Section III – Federal Award Findings and Questioned Costs

**State of Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

Section I – Summary of Auditor’s Results

Financial Statements

- We issued an unqualified opinion on the basic financial statements.
- We identified material weaknesses in internal control over financial reporting.
- We identified significant deficiencies in internal control over financial reporting.
- We noted no instances of noncompliance considered to be material to the basic financial statements.

Federal Awards

- We identified material weaknesses in internal control over major programs.
- We identified significant deficiencies in internal control over major programs.
- We issued qualified opinions for Formula Grants for Other Than Urbanized Areas, Capitalization Grants for Clean Water State Revolving Fund, Capitalization Grants for Drinking Water State Revolving Fund, Weatherization Assistance for Low-Income Persons, Low-Income Home Energy Assistance, Foster Care Title IV-E, and Adoption Assistance. We issued unqualified opinions for all other major programs.
- We disclosed audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- The dollar threshold used to distinguish between Type A and Type B programs, as prescribed in OMB Circular A-133, Section 520(b), was \$31,040,595.
- The State of Tennessee does not qualify as a low-risk auditee under OMB Circular A-133, Section 530.

State of Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011
(continued)

Section I – Summary of Auditor’s Results

CFDA Number	Name of Major Federal Program or Cluster
10.558	Child and Adult Care Food Program
20.509	Formula Grants for Other Than Urbanized Areas*
66.458	Capitalization Grants for Clean Water State Revolving Funds*
66.468	Capitalization Grants for Drinking Water State Revolving Funds*
81.041	State Energy Program*
81.042	Weatherization Assistance for Low-Income Persons*
84.032	Federal Family Education Loans - Guaranty Agencies
84.367	Improving Teacher Quality State Grants
84.395	ARRA-State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants*
84.410	Education Jobs Fund*
93.563	Child Support Enforcement*
93.568	Low-Income Home Energy Assistance
93.658	Foster Care Title IV-E*
93.659	Adoption Assistance*
93.667	Social Services Block Grant
93.767	Children’s Health Insurance Program
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
-	Research and Development Cluster*
-	Student Financial Assistance Cluster*
-	Child Nutrition Cluster
-	Community Development Block Grants - State-Administered Small Cities Program Cluster*
-	Housing Voucher Cluster
-	Workforce Investment Act Cluster*
-	Highway Planning and Construction Cluster*
-	Title I, Part A Cluster*
-	Special Education Cluster (IDEA)*
-	State Fiscal Stabilization Fund Cluster*
-	Temporary Assistance for Needy Families Cluster*
-	Community Services Block Grants Cluster*
-	Child Care and Development Fund Cluster*
-	Medicaid Cluster*
-	Disability Insurance/Supplemental Security Income Cluster

* Program includes ARRA funding

**State of Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011
(continued)**

Section II - Financial Statement Findings

Finding Number	11-DFA-06
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of Finance and Administration
Grant/Contract No.	N/A
Federal Award Year	N/A
Finding Type	Significant Deficiency
Compliance Requirement	N/A
Questioned Costs	N/A

The department did not communicate effectively with state entities and therefore, did not mitigate the risks regarding information systems security, increasing the risk of fraudulent activity

Finding

Based on our testwork, staff in the Enterprise Resource Planning Division of the Department of Finance and Administration did not always communicate effectively with state entities regarding information systems security, resulting in an increased risk of fraudulent activity. The wording of this finding does not identify specific vulnerabilities that could allow someone to exploit the department's systems. Disclosing those vulnerabilities could present a potential security risk by providing readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided department management with detailed information regarding the specific vulnerabilities we identified as well as our recommendations for improvement.

Recommendation

The Commissioner should ensure that these conditions are remedied through procedures that encompass all aspects of effective access controls. The Commissioner should ensure that risks associated with this finding are adequately identified and assessed in the department's documented risk assessment. The Commissioner should implement effective controls to ensure

compliance with applicable requirements, assign staff to be responsible for ongoing monitoring of the risks and mitigating controls, and take action if deficiencies occur.

Management's Comment

We concur. Agency Human Capital Management (HCM) procedures have been updated, including updates to the agency HCM Security Access Manual. Additionally, where possible, certain internal procedures are being automated to enhance support of these policies. Finally, the frequency of reminders for agency staff to follow established procedures has been increased.

Finding Number	11-DFA-07
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of Finance and Administration
Grant/Contract No.	N/A
Federal Award Year	N/A
Finding Type	Material Weakness
Compliance Requirement	N/A
Questioned Costs	N/A

The Department of Finance and Administration's Enterprise Resource Planning Division has not implemented adequate controls over information security in one specific area, thereby increasing the risk of fraudulent activity

Finding

The Department of Finance and Administration's Enterprise Resource Planning (ERP) Division has not implemented adequate controls over information security in one specific area. The state's *Enterprise Information Security Policies* and a security plan developed by the ERP Division provide specific information security requirements that are consistent with best practices and good internal control.

We observed a significant condition where the ERP Division failed to follow best practices and provide good internal control. This increases the risk that unauthorized individuals could access and modify sensitive state systems and information, thereby increasing the risk of fraudulent activity.

The wording of this finding does not identify specific vulnerabilities that could allow someone to exploit the state's systems. Disclosing those vulnerabilities could present a potential security risk by providing readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided the department with detailed information regarding the specific vulnerabilities we identified as well as our recommendations for improvement.

Recommendation

The ERP Division Director should ensure that these conditions are remedied by the prompt development and implementation of effective controls to ensure compliance with best practices and good internal control. The Director should also ensure that risks associated with this finding are adequately identified and assessed in the ERP Division's documented risk assessment. The Director should assign staff to be responsible for ongoing monitoring of the risks and mitigating controls, and take action if deficiencies occur. The Director should also take

all other steps available to establish or improve any compensating controls until these conditions are remedied.

Management's Comment

We concur. Security processes were adjusted to facilitate improved access controls. While certain Edison specific job duties require a greater degree of access in order to perform the necessary work, standard procedures, including review and approval by the State's Chief Information Security Office, were followed in order to grant the additional access to a limited group of technical Enterprise Resource Planning Division employees.

Finding Number	11-DOT-08
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of Transportation
Grant/Contract No.	N/A
Federal Award Year	N/A
Finding Type	Material Weakness
Compliance Requirement	N/A
Questioned Costs	N/A

Internal controls at the Department of Transportation did not prevent or detect a material misstatement of \$458,551,216 in the construction in progress balance reported to the Division of Accounts for inclusion in the financial statements at June 30, 2011

Finding

During our annual audit of the state's *Comprehensive Annual Financial Report* (CAFR), we discovered a material error in the construction in progress balance reported by the Department of Transportation (DOT) for inclusion in the state's financial statements at June 30, 2011. We found that the DOT Information Technology (IT) Division incorrectly mapped the department's construction project management system, resulting in the system overwriting the project completion date in Edison with unrelated data. Discussions with IT personnel disclosed that the system was mapped based on instructions from the department's Finance Division. The Director of Finance concurred.

An Executive Administrative Assistant at DOT provided us with a listing of the projects comprising the construction in progress balance at June 30, 2011. We tested all projects with a cost equal to or exceeding \$3,000,000, which totaled \$1,506,909,218 (93% of the total reported balance). We found that 16 of the 89 projects tested (18%) were completed prior to year end; therefore, they should have been included in the infrastructure balance rather than the construction in progress balance. The construction in progress balance should have been \$1,154,330,541; thus, the amount originally reported of \$1,612,881,757 was overstated by \$458,551,216. Corrected totals were included in the state's financial statements.

A properly designed and functioning system of internal controls should allow employees in the normal course of performing their assigned functions to prevent or detect misstatements. In the Department of Transportation's annual risk assessment, management identified the following risk, "computer interfaces between general ledger systems do not operate to effect complete and accurate processing." Despite management identifying this risk, they did not adequately design and implement effective internal controls to prevent or detect the material reporting errors discussed in this finding.

Recommendation

The Director of Finance should ensure that the risk discussed in this finding is adequately mitigated by performing a review of the interfaces between Edison and the department's other information systems. In addition, the Director of Finance should reassess all identified risks to ensure that control activities have been designed and implemented to address those risks with an increased likelihood and impact.

Management's Comment

We concur. The construction in progress balance is calculated by adding total expenditures, as of June 30, for all construction projects not closed (not open to traffic) as of June 30. As projects are completed, Edison is updated with the year of completion and at year-end a report is run listing all projects without a completion year.

An interface from the Program, Project and Resource Management System (PPRM) to Edison was incorrectly deleting the year of completion from previously closed projects; thus when the report was run, projects completed in prior years were incorrectly listed as still being underway.

Appropriate changes have been identified and made in a test version of the PPRM system and in the interface to Edison. Once a test version of Edison is available, testing will begin. After the changes have been verified, the revised versions of PPRM and the interface will be moved to production.

Finding Number	11-DOT-09
CFDA Number	N/A
Program Name	N/A
Federal Agency	N/A
State Agency	Department of Transportation
Grant/Contract No.	N/A
Federal Award Year	N/A
Finding Type	Significant Deficiency
Compliance Requirement	N/A
Questioned Costs	N/A

Internal controls over the recording of overweight/overdimensional permit receipts are inadequate, increasing the risk of material misstatements in the financial statements and permit fees being misappropriated

Finding

The Department of Transportation (DOT) does not have properly designed internal controls over escrow checks received for overweight/overdimensional permits. The Director of Finance and the Director of Central Services are responsible for ensuring that internal controls are adequately designed and implemented to prevent or detect material misstatements in the financial statements and to safeguard assets.

Overweight/overdimensional permits are required for carrying oversized loads on Tennessee roadways. While some permits are purchased directly from the state, the majority of these permits are purchased from independent wire service transmittal companies. The state requires that the wire service companies send checks in advance of issuing permits and places these checks in escrow. Overweight/overdimensional permit receipts totaled \$11,407,790 for fiscal year 2011.

When the escrow checks are received, the Permit Supervisor in the department's Central Services Division enters them into the Tennessee Overweight/Overdimensional Permit System (TOOPS), which is used to record account activity for the wire service companies. After the checks are entered in TOOPS, an Administrative Services Assistant 3 in DOT's Finance Division enters the checks into Edison (the state's accounting system) and prepares the deposit. Afterwards, another employee in the Central Services Division makes the deposit. However, no one reconciles entries into TOOPS with entries into Edison and with bank records.

The Director of Finance and the Director of Central Services stated that there were no compensating controls that would have prevented or detected the theft of escrow checks. Because of this increased risk, we performed a reconciliation of TOOPS to Edison and to the bank records. In our reconciliation we were able to vouch all of the amounts entered into Edison with the bank records. However, the reconciliation of TOOPS to Edison identified nine escrow accounts with variances. Specifically, we found that during fiscal year 2011, the amount of checks entered into TOOPS was greater than the amount entered into Edison by \$9,500. As a

result of this variance, we decided to contact the wire service transmittal companies directly to confirm the amounts they sent in escrow checks to DOT. Bank records indicated \$84,850 more was deposited by DOT for seven escrow accounts than was confirmed with the wire service companies. We contacted those wire service companies with variances; some were not responsive, and others told us that their records were inadequate to assist us in the reconciliation process. Although we did not find material differences during our reconciliations, this does not negate the fact that checks could have been misappropriated without detection.

In the Department of Transportation's annual risk assessment, management identified the following risks related to escrow checks: "revenue recorded in customer database does not match actual payment made by customer," "revenues recorded in system do not match amounts deposited or received," "underbanking or failing to bank cash receipts," and "a payment is recorded in a customer account but not deposited." Despite identifying these risks, management did not adequately design and implement effective internal controls to prevent or detect the misappropriation of escrow checks.

Recommendation

The Director of Finance and the Director of Central Services should investigate the \$9,500 difference between the amounts recorded in TOOPs and the amounts recorded in Edison. The Directors of both divisions should also ensure that the risks of material misstatement and misappropriation of assets are adequately mitigated by performing a reconciliation of entries into TOOPS with entries into Edison and with bank records. Additionally, the Director of Finance should reassess all identified risks to ensure that control activities have been designed and implemented to address those risks with an increased likelihood and impact.

Management's Comment

We concur. Procedures will be developed to ensure that all funds due for the sale of overweight/overdimensional permits are received, deposited and recorded in Edison. This procedure will include a reconciliation of the amount due for permits sold as recorded in the Tennessee Overweight/Overdimensional Permit System (TOOPS) with amounts received and deposited as recorded in Edison. The written procedure will be completed by March 31, 2012.

**State of Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011
(continued)**

Section III – Federal Award Findings and Questioned Costs

Finding Number	11-DHS-03
CFDA Number	10.558, 10.559, 81.042, 93.558, 93.714, 93.716, and 93.563
Program Name	Child and Adult Care Food Program Child Nutrition Cluster Weatherization Assistance for Low-Income Persons Temporary Assistance for Needy Families Cluster Child Support Enforcement
Federal Agency	Department of Agriculture Department of Energy Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	2008IN109945, 2009IN109945, 2010IN109945, 2011IN109945, DE-FG26-07NT43135, DE-EE0000114, G0802TNTANF, G0902TNTANF, G1002TNTANF, G1102TNTANF, G1001TNTAN2, G1002TNTAN2, G0804TN4004, G0904TN4004, G1004TN4004, G1104TN4004, G1104TN4002
Federal Award Year	2007 through 2012
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Reporting
Questioned Costs	N/A

The department did not prepare, review, and submit financial reports and financial information in accordance with federal reporting requirements, increasing the risk that the federal grantors will not have complete and accurate information to make financial decisions relating to their programs

Finding

The Department of Human Services (DHS) expended almost \$3 billion in funding from various federal agencies to administer numerous federal and state services, including, but not limited to, the Child and Adult Food Care Program (CACFP), the Summer Food Service Program for Children (Summer Food), the Child Support Enforcement (CSE) program, the Temporary Assistance for Needy Families (TANF) program, and the Weatherization Assistance for Low-Income Persons Program (Weatherization). As a recipient of federal funds, the

Department of Human Services is required to submit financial reports to the federal grantors regarding the status of the federal programs.

CACFP is a year round program designed to provide meals to children and adults in non-residential daycare settings. Summer Food is designed to provide meals to children in public and non-profit schools, residential childcare institutions, and summer recreation programs during the summer months. CSE is designed to: (1) enforce support obligations owed by non-custodial parents, (2) locate absent parents, (3) establish paternity, and (4) obtain child and spousal support. TANF provides assistance to help needy families achieve self-sufficiency. DHS receives federal funding under the Weatherization program to weatherize the homes of low-income families, the elderly and disabled persons to increase the energy efficiency of their homes.

Based on our testwork we found that DHS management and staff failed to

- ensure federal financial reports agreed to supporting source documentation for CACFP and Summer Food;
- report financial information in accordance with the Federal Funding Accountability and Transparency Act (FFATA) for CACFP, Summer Food, and CSE;
- prepare federal financial reports for TANF based on Edison, the state's accounting system;
- ensure the federal financial reports were accurate for TANF; and
- review the federal reports for Weatherization prior to submission.

Federal Reports Required

Based on our understanding of these programs we determined that the following federal reports were required by the federal grantors:

- The CACFP and Summer Food **SF-269, *Financial Status Report***, is a quarterly financial report that shows the use of funds for the programs. For the quarter ended December 31, 2010, the SF-269 became the **FNS-777, *Financial Status Report***. Although CACFP and Summer Food programs are two separate federal programs, DHS reports information for both programs on one report.
- The **ACF-196, *TANF Financial Report***, for the TANF Cluster is a quarterly financial report that shows the use of federal funds awarded for a given fiscal year.
- The **SF-425, *Federal Financial Report***, is a cumulative, quarterly financial report that shows expenditures and cash status for federal awards. DHS submits an SF-425 to the United States Department of Health and Human Services and the United States Department of Energy for their respective grants.

Results of Testwork

CACFP and Summer Food Financial Status Report Did Not Agree to Supporting Source Documentation

We examined the SF-269 report for the quarter ended September 30, 2010; and the FNS-777 for the quarter ended March 31, 2011. According to Title 7, *Code of Federal Regulations* (CFR), Part 3015, Section 61(g), “Accounting records shall be supported by source documentation.” Based on our examination of the September 30, 2010, SF-269 report, we found that the report and the electronic files representing Edison queries which served as management’s supporting source documentation, did not agree. The Fiscal Director stated that it was possible the supporting source documentation (Edison query and electronic files) was overwritten and/or adjustments were made to the accounting information in Edison after the report was prepared.

Financial Information Not Reported Under FFATA for CACFP, Summer Food Programs, and CSE

CACFP and Summer Food

According to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) website,

The Federal Funding Accountability and Transparency Act (FFATA) was signed on September 26, 2006. The intent is to empower every American with the ability to hold the government accountable for each spending decision... The FFATA legislation requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website, which is www.USASpending.gov.

FSRS is the system used to upload this information onto USASpending.gov.

During the audit period, the Director of Fiscal Services and the Program Director of the CACFP and Summer Food program failed to report financial information in accordance with FFATA for these programs. According to a letter to the states from the United States Department of Agriculture, Food and Nutrition Service’s (FNS) Southeastern Regional Office, under Attachment 1, Summary of FFATA Implementation Procedures, beginning October 1, 2010, grantees obligating \$25,000 or more in Federal Funds in a single subgrant or cumulatively to other entities must report the obligations to the FSRS in accordance with FFATA.

Based on our review of the FFATA requirements and discussion with the Program Director, we found that DHS did not submit information related to any obligations to FSRS for CACFP and Summer Food. The Program Director did not submit this data because of an apparent misinterpretation of information received from FNS. He believed that FFATA did not apply to CACFP and Summer Food. However, according to our communication with a Budget

Analyst at FNS, the department was required to report under FFATA for these programs for the fiscal year ended June 30, 2011.

CSE

Based on our review of the FFATA information DHS submitted on USASpending.gov for CSE during fiscal year ended June 30, 2011, we found that the Budget Analyst 2 did not report federal expenditures totaling \$948,613 related to Shelby County Government's CSE contract. According to the Budget Analyst 2, he did not obtain the Data Universal Numbering System (DUNS) number for Shelby County Government, so he did not report the expenditures on FSRs. On December 12, 2011, after we brought this problem to the Budget Analyst 2's attention, he obtained the DUNS and reported the information.

TANF Cluster Financial Reports Not Prepared Based on the State's Accounting Records

We reviewed the ACF-196 report for the quarters ended December 31, 2010, and June 30, 2011. According to 45 CFR 92.20(a), "A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds." Because Edison is the state's official accounting system, management and staff should use Edison to prepare the ACF-196 reports for the TANF Cluster. However, based on our discussions with the Fiscal Services Accountant 3 who was responsible for preparing the ACF-196 report, we determined that he prepared parts of the report using the Family Assistance Contract Tracking System (FACTS), which is a DHS-owned system, and other parts using Edison. While using FACTS could have been sufficient had the Accountant 3 reconciled the data in FACTS to the data in Edison prior to preparing the ACF-196 reports, we determined that he had not reconciled the two sources to ensure they agreed. The Accountant 3 stated that it was easier to use FACTS, instead of Edison, to obtain program amounts for the ACF-196 report. However, if the two systems are not reconciled, the Accountant 3 cannot be certain the information reported is complete or accurate.

SF-425 Reports for the TANF Cluster Were Not Accurate and Did Not Agree to Supporting Source Documentation

To compile information for the TANF SF-425 report for a given quarter, the Fiscal Director responsible for this report used the prior quarter's TANF ACF-196 report. According to 45 CFR 92.20(b) (1), "Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant." We tested the SF-425 reports for the quarters ended September 30, 2010, and March 31, 2011. Based on our work we found that the Fiscal Director reported \$4,573,684 as expenditures on the SF-425 for the quarter ended September 30, 2010; however, this amount did not agree to expenditures reported on the prior quarter ACF-196. In addition, we found that the Fiscal Director erroneously reported Contingency Funds as American Recovery and Reinvestment Act (ARRA) Supplemental Funds.

For the TANF SF-425 for the quarter ended March 31, 2011, the Fiscal Director understated the Cumulative Federal Cash Disbursement amount by \$9,576,189, for the 2011

TANF Grant (Grant #1102TNTANF). The understated amount was included on the ACF-196 report used to prepare the TANF SF-425 report. According to the Fiscal Director, he overlooked this amount when preparing the report. In addition, during our testwork on the SF-425 for this quarter, we reviewed the ACF-196 for the quarter ended December 31, 2010. Based on our review, we found that the Fiscal Director reported \$21,565,141 of ARRA Supplemental Funds as the awarded amount, instead of the expenditure amount. As a result, cumulative disbursements on the TANF SF-425 for the quarter ended March 31, 2011, was not accurately reported to the federal grantor.

Reports Not Reviewed Prior To Submission

Based on our review, we found that the Fiscal Director responsible for the Weatherization program did not review the SF-425, *Federal Financial Report*, prior to submission to the United States Department of Energy. According to the *Office of Management and Budget Circular A-133*, Compliance Supplement Part 6, Section L. Reporting, a “Supervisory review of reports performed to assure accuracy and completeness of data and information included in the reports.” The Director of Fiscal Services stated that the Fiscal Director over the Weatherization program reviewed the accounting information used to prepare the SF-425 report on a regular basis. However, the Fiscal Director did not review the report after it was formally prepared, and therefore, cannot be sure the information on the report was accurate and complete.

DHS is required to ensure all federal reporting requirements are met for each of their federal programs. Failure to meet all of the requirements increases the likelihood that federal grantors will not have complete and accurate information to make financial and programmatic decisions.

Management identified the risk of data presented in financial reports not agreeing with accounting records in its risk assessment. To mitigate this risk, management would reconcile data in financial reports to the accounting records. However, this was not done always. Management has not identified the risks of not submitting required reporting information and not reviewing federal reports prior to submission in its risk assessment.

Recommendation

Given the significance of the federal funds involved, it is paramount that DHS report federal financial and programmatic information accurately to the respective federal grantors. Specifically, the Commissioner should ensure

- federal financial reports agree to supporting source documentation;
- financial information is reported in accordance with FFATA;
- federal financial reports are prepared based on the State’s accounting system/records;
- financial reports are accurate; and
- federal reports are reviewed prior to submission to the federal government.

Management should also reassess all risks associated with federal reporting and develop and implement appropriate mitigating controls to address the risks.

Management's Comment

We concur in part. Historically, the CACFP, SFSP, and the TANF reports are cumulative. The amounts reported will be that quarter's expenditures, plus any prior period adjustments. In addition, these reports are reconciled at the end of each Federal Fiscal Year (FFY) to the actual allowable expenditure totals. The department will develop a new practice of reconciling as each month closes.

The department has filed reports for CSE and SFP and continues to work with the reporting agency to submit the CACFP report. Going forward, the information in the FACTS system will be reconciled to the information in Edison, the state's accounting system.

Finally, as noted in the report, the Fiscal Director does review the content of the SF-425 prior to submission. The purpose of this review is to ensure the accuracy and completeness of the data.

Finding Number	11-DHS-05
CFDA Number	10.558, 10.559, 93.558, 93.714, 93.716, 93.563; 93.575, 93.596, 93.713, 93.667, and 96.001
Program Name	Child and Adult Care Food Program Child Nutrition Cluster Temporary Assistance for Needy Families Cluster Child Support Enforcement Child Care and Development Fund Cluster Social Services Block Grant Disability Insurance/SSI Cluster
Federal Agency	Department Agriculture Department of Health and Human Services Social Security Administration
State Agency	Department of Human Services
Grant/Contract No.	2008IN109945, 2010IN109945, 2011IN109945, G0802TNTANF, G0902TNTANF, G1002TNTANF, G1102TNTANF, G0804TN4004, G0904TN4004, G1004TN4004, G1104TN4004, G1104TN4002, G0901TNCCDF, G1001TNCCDF, G1101TNCCDF, G0901TNCCD7, G0901TNSOSR, G1001TNSOSR, G1101TNSOSR, G0901TNDOD2, 04-08-04TNDI00, 04-09-04TNDI00, 04-10-04TNDI00, 04-11-04TNDI00, 90FD017101
Federal Award Year	2005 through 2013
Finding Type	Significant Deficiency
Compliance Requirement	Activities Allowed or Unallowed Allowable Costs/Cost Principles Eligibility Reporting
Questioned Costs	N/A

The Department of Human Services did not follow two areas of the state information system security policies, resulting in the increased risk of fraudulent activity or loss of data

Finding

Based on our testwork, Department of Human Services did not follow two areas of the state information system security policies, resulting in increased risk of fraudulent activity or loss of data. The wording of this finding does not identify specific vulnerabilities that could allow someone to exploit the department's systems. Disclosing those vulnerabilities could present a potential security risk by providing readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided the department management with detailed information regarding the specific vulnerabilities we identified as well as our recommendations for improvement.

Recommendation

The Commissioner should ensure that these conditions are remedied through procedures that encompass all aspects of effective access controls. Management should reassess their controls to include the risks noted in this finding in management's documented risk assessment. The risk assessment and the mitigating controls should be adequately documented and approved by the Commissioner. The Commissioner should implement effective controls to ensure compliance with applicable requirements, assign staff to be responsible for ongoing monitoring of the risks and mitigating controls, and take action if deficiencies occur.

Management's Comment

We concur. We have delivered a confidential response to the detailed finding, but note that steps to address the issues identified are already underway.

Finding Number	11-DHS-09
CFDA Number	10.558, 10.559, 81.042, 93.568, 93.569, 93.710, and 93.667
Program Name	Child and Adult Care Food Program Child Nutrition Cluster Weatherization Assistance for Low-Income Persons Low-Income Home Energy Assistance Program Community Services Block Grant Cluster Social Services Block Grant
Federal Agency	Department of Agriculture Department of Energy Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	2008IN109945, 2009IN109945, 2010IN109945, 2011IN253345, DE-FG26-07NT43135, DE-EE0000114, G09B1TNLIEA, G10B1TNLIEA, G11B1TNLIEA, G09B1TNCOSR, G10B1TNCOSR, G11B1TNCOSR, G0901TNCOSR09S, G0901TNSOSR, G1001TNSOSR, G1101TNSOSR, G0901TNSOS2
Federal Award Year	2007 through 2011
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Subrecipient Monitoring
Questioned Costs	N/A

The Department of Human Services does not comply with the OMB Circular A-133 Subpart D regarding subrecipient audit requirements, thereby increasing the risk of not detecting fraud, waste, abuse, and noncompliance by subrecipients

Finding

The Department of Human Services (DHS) did not comply with the federal regulations related to subrecipients. Specifically, DHS did not

- have procedures to ensure all subrecipients obtained the required audits and/or submitted audit reports to DHS;
- issue management decisions timely;
- maintain management decision documentation; and
- issue management decisions which include all federally prescribed requirements.

DHS, as a pass-through entity, provides federal funding to subrecipients for the following programs that we audited:

- Child and Adult Care Food Program,
- Social Services Block Grant Program,
- Summer Food Service Program for Children,
- Community Services Block Grant Program,

- Low-Income Home Energy Assistance Program, and
- Weatherization Assistance for Low-Income Persons Program.

The Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments and Non-Profit Organizations,” Section 400(d), requires pass-through entities to exercise oversight responsibilities for the federal awards it makes to its subrecipients. These oversight responsibilities include ensuring subrecipients receive audits, issuing management decisions to subrecipients when audit reports contain findings, and ensuring the subrecipients take corrective action for findings.

Subrecipient Audit Requirements

DHS management has given the responsibility for compliance with OMB A-133 Section 400(d), related to audit requirements, to the Office of Inspector General, Division of Internal Audit. We discussed the division’s procedures for compliance with the Director of Internal Audit. OMB A-133 400(d), requires DHS to ensure that subrecipients that received \$500,000 or more of Federal awards submit a single or program-specific audit conducted for that year, within nine months of the end of the subrecipient’s fiscal year.

Based on discussion with the Director of Internal Audit, the department relied on the Office of the Comptroller of the Treasury, Division of Municipal Audit to provide a list of subrecipients who met the requirements to obtain a single or program-specific audit. Although not required to, the Division of Municipal Audit has provided this information in the past as a courtesy. With the implementation of Edison, the state’s new accounting system, the Division of Municipal Audit no longer has the ability to provide state entities with this information. Furthermore, according to OMB Circular A-133, Section 400(d)(4), it is the pass-through entity’s responsibility to ensure subrecipients meet their audit requirements. However, based on our interviews, we found that DHS has not developed internal procedures to identify the subrecipients who meet the audit requirement criteria. During the audit period, the Director used the 2009 list of subrecipients provided by the Division of Municipal Audit as the basis to determine which 2010 subrecipients needed an audit. Although this list provided a starting point, the list did not include new DHS subrecipients for 2010 or existing subrecipients that surpassed the \$500,000 threshold for the first time, thus requiring an audit in 2011.

Based on our review of DHS expenditures for the fiscal year ended June 30, 2010, we identified 30 subrecipients that received at least \$500,000 in funding from DHS. Of those 30, we found that 2 subrecipients (7%) received at least \$500,000 during 2010 but were not on the 2009 listing. Although the two subrecipients obtained an audit as required under the Standard Terms and Conditions of their contract, the Director did not fulfill his responsibility under OMB A-133 by actively determining that all subrecipients who were required to obtain an audit did so and then properly submitted the audit reports. Without procedures to identify subrecipients, DHS could not ensure each subrecipient actually obtained an audit, therefore increasing the risk of not detecting fraud, waste, abuse, and noncompliance by subrecipients.

Management Decision was Not Issued Timely

Based on our review, we found that the Director of Internal Audit failed to issue a management decision within six months to a subrecipient in accordance with OMB requirements. According to the OMB A-133 Section 400(d)(5),

A pass-through entity shall perform the following for the Federal awards it makes... (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

We reviewed the subrecipients' audit reports we identified above and found that nine of the 30 subrecipients' audit reports (30%) included audit findings. Based on our review of these subrecipient audit reports, we found that for one of 9 reports (11%), the Director of Internal Audit issued a management decision to the subrecipient ten months after receiving the subrecipient's audit report. The Director of Internal Audit issued this management decision after we requested documentation of the management decision. When management does not issue its management decisions in accordance with OMB requirements, management cannot ensure the subrecipient has taken prompt corrective action for findings and that subrecipients are fully complying with federal and state regulations.

Management Decision Was Not Documented

Based on our testwork performed on subrecipient audit reports with audit findings, we found that for one of nine reports (11%) the Director of Internal Audit failed to provide documentation that he had issued the management decision. As noted above, OMB A-133 Section 400(d) requires the pass-through entity to issue a management decision on subrecipient audit findings.

The Director of Internal Audit stated that he issued a management decision to the subrecipient during a monitoring visit; however, he could not provide documentation of the decision. The subrecipient submitted an electronic corrective action plan on April 28, 2011. After we inquired about documentation of the management decision, the Director of Internal Audit prepared a letter to acknowledge receipt of the subrecipient's corrective action plan, seven months after he received the plan.

Inadequate Management Decisions

During our review of DHS' documentation of the management decisions issued on audit findings, we also noted the Director of Internal Audit did not issue adequate management decisions. Based on our testwork performed on the subrecipient audit reports with audit findings, we determined that for 8 of 8 decisions reviewed (100%) the Director of Internal Audit did not include all of the requirements of a management decision. According to OMB Circular A-133 Section 405(a)

The management decision shall clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action...The management decision should describe any appeal process available to the auditee.

We found that the management decision letters issued did not clearly state whether or not the audit findings were sustained, the reason for the decisions, and the expected action the subrecipients should take. In these letters, management actually informed the subrecipients that a management decision should be made and requested a corrective action plan. After the subrecipients submitted a corrective action plan, the Director of Internal Audit issued letters to the subrecipients acknowledging receipt of the corrective action plans. However, the Director did not clearly state whether the finding was sustained or whether the corrective action plan was sufficient to correct the finding. When the Director of Internal Audit fails to issue adequate management decisions, there is an increased risk that subrecipient audit problems will continue.

We also determined that management has not identified and assessed the risk associated with the errors noted above in its risk assessment.

Recommendation

The Commissioner and the Director of Internal Audit should develop procedures to identify subrecipients who receive \$500,000 or more in federal funds and who are required to submit an audit report to ensure federal compliance requirements are met. Once the subrecipients are identified, DHS management should ensure the subrecipients receive and file an audit report.

The Director of Internal Audit should ensure management decisions are adequate and issued within six months of receipt of the subrecipient's audit report and in accordance with the requirements of the OMB Circular A-133. The Director of Internal audit should also ensure documentation of the management decision is maintained.

Management should include the risks noted in this finding in management's documented risk assessment. The risk assessment and the mitigating controls should be adequately documented and approved by the Commissioner.

Management's Comment

We concur.

Subrecipient Audit Requirements

We take very seriously our responsibility for compliance with OMB A-133 Section 400(d), and, as noted, we did not have any instances of non-compliance with this requirement. We have improved our process by obtaining a detailed listing of all DHS subrecipients' contract

amounts by fiscal year from Fiscal Services and have modified procedures to ensure receipt of the audits.

Management Decision Was Not Documented

We would note for context this was one out of forty-eight (2.1%). Additionally we have implemented a process which includes more oversight from audit management staff to ensure a management decision is issued timely.

Inadequate Management Decision

We have added language to the management response that clearly states whether the finding was sustained or whether the corrective action plan was sufficient to correct the finding. We would note for context this was also one out of forty-eight.

Finding Number	11-UT-01
CFDA Number	12.800 and 93.847
Program Name	Research and Development Cluster
Federal Agency	Department of Defense
	Department of Health and Human Services
State Agency	University of Tennessee
Grant/Contract No.	FA9550-09-1-0624, R01DK067269
Federal Award Year	2006 through 2012
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Questioned Costs	\$18,096.03

Principal investigators at the University of Tennessee Health Science Center and the University of Tennessee at Knoxville did not ensure that obligations charged to federal awards were allowable under federal research and development grants, resulting in federal questioned costs of \$18,096.03

Finding

We tested 65 randomly selected transactions charged to federal research and development grants and contracts for the period July 1, 2010, through May 31, 2011. We found that 2 of the 65 transactions (3%) were unallowable. In one case, the principal investigator did not obtain prior approval for equipment purchased, and in the second case, the principal investigator did not ensure that the charge was allocable to the federal grant.

A principal investigator at the University of Tennessee Health Science Center did not obtain prior approval for equipment purchased under United States Public Health Service grant number R01DK067269. An upright freezer was purchased under the award for \$11,948.01 without obtaining prior approval for the purchase. Additionally, the purchase was posted to the incorrect general ledger account, resulting in \$5,496.09 of related facilities and administration (F&A) costs also being charged to the grantor for the purchase. This resulted in a total of \$17,444.10 of federal questioned costs. The expenses were charged to the grant's general ledger account, which is used to draw down federal funds.

According to the *Code of Federal Regulations*, Title 2, Part 220, Appendix A,

Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior approval of the awarding agency.

University policy requires equipment of this nature to be charged to the Computers, Education, Scientific Equipment general ledger account; however, the departmental bookkeeper miscoded the equipment to the Other Expenditures general ledger account. F&A charges are automatically calculated in the university's accounting system based on charges posted to the general ledger accounts. Per the *Code of Federal Regulations*, equipment charges are not to

incur F&A costs. Specifically, according to the *Code of Federal Regulations*, Title 2, Part 220, Appendix A,

F&A costs shall be distributed to applicable sponsored agreements and other benefiting activities within each major function on the basis of modified total direct costs. . . Equipment, capital expenditures, charges for patient care and tuition remission, rental costs, scholarships, and fellowships as well as the portion of each subgrant and subcontract in excess of \$25,000 shall be excluded from modified total direct costs.

The university's accounting system automatically excludes the equipment general ledger accounts from the calculation. If the purchase had been coded to the correct general ledger account, F&A costs of \$5,496.09 would not have been charged for the equipment.

In a separate instance, a principal investigator at the University of Tennessee at Knoxville did not ensure that costs being charged to a federal grant were allocable to the grant. A portion of the costs for a laptop computer, \$440.49, was charged to Air Force grant number FA9550-09-1-0624. F&A costs associated with this charge were \$211.44. This resulted in \$651.93 of federal questioned costs.

According to the *Code of Federal Regulations*, Title 2, Part 220, Appendix A,

A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a sponsored agreement if it is incurred solely to advance the work under the sponsored agreement; it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods, or it is necessary to the overall operation of the institution and, in light of the principles provided in this Appendix, is deemed to be assignable in part to sponsored projects. . . Only materials and supplies actually used for the performance of a sponsored agreement may be charged as direct costs.

The laptop was purchased as part of a Faculty Computer Upgrade Program. The Faculty Computer Upgrade Program is designed to upgrade the computer equipment for each tenured or tenure-track faculty member once every four years. This program is a university program and is not related to any federal programs. Approved faculty members may purchase any computer available under university contract, but the department will only be reimbursed for the cost of the computer up to the maximum reimbursement amount. The maximum for fiscal year 2011 was \$1,444.26. The cost of the laptop was \$1,884.75. Any amount over the maximum was to be charged to the appropriate departmental account. Instead, the amount over the maximum, \$440.49, was charged to the Air Force grant.

The total amount of questioned costs for the transactions noted above is \$18,096.03. Unallowable costs of \$12,599.94 were noted in our testwork. We tested a sample of

\$1,118,029.70 from a total population of \$127,118,814.62. Related unallowable F&A costs total \$5,496.09. We tested F&A costs of \$5,908,619.33 from a total population of \$32,641,725.08.

Recommendation

Management should ensure that departmental bookkeepers, principal investigators, and grant accountants have the knowledge and expertise to monitor and account for federal grant and contract awards in accordance with award agreements and federal regulations.

Although the risks noted in this finding were identified and assessed in management's risk assessment activities, management should reassess these risks and ensure that adequate controls are implemented to prevent noncompliance.

Management's Comment

The university concurs.

For the UTHSC campus:

We concur that the purchase of the upright freezer, under United States Public Health Service grant number R01DK067269, was not in accordance with the grant award and/or federal guidelines. Steps have been taken to obtain the appropriate approval for the purchase of the freezer. The general ledger accounts for the freezer purchase were corrected with document number 100005300. The F&A costs were corrected in the month-end F&A posting. Reporting will be corrected in the regular quarterly reporting.

The following procedures exist to prevent such errors from occurring and will be reinforced to eliminate future errors of this type:

- The approved grant application and budget will be reviewed prior to initiating the purchase.
- If the proposed item is not in the approved application/budget, the award/contract document will be reviewed to determine the level of prior approval (local or agency) necessary for the purchase.
- The department will process the appropriate request for prior approval.
- Upon receipt of the necessary approval, the purchase will be initiated.
- The University General Ledger Codes will be reviewed for correctness when processing the invoice for payment.

For the Knoxville campus:

Upon notification by State Audit of this issue, the expenditure in question was removed and charged to the department's cost center, via document number 100003103, 9/30/2011. The final financial report was revised and a refund was issued to the Air Force.

The following are the actions to prevent this situation from reoccurring:

- Sponsored Projects Accounting discussed this finding at its staff meeting and implemented a periodic review of computers purchased on sponsored projects for allowability.
- Sponsored Projects Accounting will discuss the audit finding at the next Knoxville Campus Fiscal Officers Meeting.
- Sponsored Projects Accounting will publish an article in the next quarterly newsletter reminding the campus business offices that general-use computers are not an allowable cost. The article will also be published in the Sponsored Programs (Office of Research) bi-monthly newsletter which includes faculty in their circulation.
- The Budget Director for the College, the Associate Research Dean, and the Director of Material Science Engineering (the department head) were notified of this weakness. The Business Manager of this department has educated her staff to note the unallowability of general-purpose computers on sponsored projects.

Finding Number	11-LWD-01
CFDA Number	17.258, 17.259, and 17.260
Program Name	Workforce Investment Act Cluster
Federal Agency	Department of Labor
State Agency	Department of Labor and Workforce Development
Grant/Contract No.	AA-17149-08-55-A-47, AA-18669-09-55-A-47, AA-20221-10-55-A-47, EM-20449-10-60-A-47, EM-20515-10-60-A-47, EM-21352-11-60-A-47, EM-21468-11-60-A-47
Federal Award Year	2008 through 2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles Equipment and Real Property Management Subrecipient Monitoring
Questioned Costs	2011 - \$176,235.16 2010 - \$107,387.50

The Department of Labor and Workforce Development did not adequately monitor its subrecipients' procurement of equipment and services, which resulted in the improper use of over \$280,000 of federal funds

Finding

During the period July 1, 2010, through June 30, 2011, the Department of Labor and Workforce Development (the department) was awarded and expended over \$81,000,000 in federal funds, including American Recovery and Reinvestment Act (ARRA) funds, to administer the Workforce Investment Act of 1998 (WIA). The WIA cluster of federal programs provides services such as education and training to adult, youth, and dislocated workers. The department contracted with 13 non-profit subrecipients throughout the state to help with administering the WIA program. Our inquiries of management and examination of documents at both the subrecipients and the department disclosed that the department inadequately monitored its subrecipients, which resulted in subrecipients improperly expending \$283,622.66 of WIA program funds.

Federal Office of Management and Budget (OMB) Circular A-133 requires the recipient, in this case the Department of Labor and Workforce Development, to establish and implement procedures to monitor subrecipients and ensure they are in compliance with the WIA program rules and regulations. In general, this is accomplished through activities such as site visits, reviewing check requests and requests for equipment purchases, and reviewing and approving vendor contracts. In addition, OMB Circular A-133 requires the recipient to establish procedures to follow up on any audit findings resulting from independent audits of subrecipients and ensure that the subrecipients take timely and appropriate corrective action on all audit findings.

The department identified, in its risk assessment, the risks of the subrecipients' misuse and/or misspending of WIA funds and implemented monitoring procedures to mitigate this risk.

The department's monitoring procedures, however, did not detect several deficiencies that we discovered during our audit. These deficiencies are described below:

EQUIPMENT:

Improper Purchase and Use of Computers

Inquiry of management and personnel at the department and at East Tennessee Human Resource Agency (ETHRA) disclosed that ETHRA purchased 40 touch screen computers (at a total cost of \$34,600) using WIA program funds. Nine of the computers were placed at local schools and 31 computers were placed in storage. Management at ETHRA stated that the schools did not identify any individuals as eligible for the WIA program. Therefore, the placement of the computers was not allowed under the program guidelines. The purchase of the 31 unused computers was also not allowable. These computers did not meet OMB Circular A-87 requirements for reasonable and necessary costs because the computers were not being used and thus were not necessary.

Under the WIA program eligibility requirements:

...a youth to be eligible for the WIA program must demonstrate at least one of the following: deficient in basic literacy skills; a school dropout; homeless; a runaway; a foster child; pregnant or parenting; offender; or an individual who requires additional assistance to complete an educational program, or to secure and hold employment. (OMB A-133, Part IV)

Also,

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.

(OMB Circular A-87; Attachment A: C. Basic Guidelines)

Federal Questioned Costs: \$34,600

Improper Purchase and Use of Vehicles

- ETHRA also purchased two vehicles in fiscal year 2011 costing \$59,132.73 that were not necessary expenditures for the program. Examination of the equipment inventory list disclosed that two vehicles were purchased prior to fiscal year 2009; four vehicles were purchased in fiscal year 2010 (\$83,395.35); and two vehicles were purchased in fiscal year 2011 (\$59,132.73). Based on inquiry of management and review of the mileage logs, we found that only 2 of the 8 vehicles were used approximately 80% of the time for WIA program purposes; the other 6 vehicles were used approximately 80% of the time by employees for commuting between home and work. As noted above, OMB Circular A-87 requires that expenditures of federal awards be necessary and reasonable for proper

and efficient performance and administration of Federal awards. The following is a list of the vehicles purchased in fiscal years 2010 and 2011.

Purchase date	DESCRIPTION	SERIAL NUMBER	UNIT COST
7/13/2009	2009 Chevrolet Traverse	xxxx4763	\$25,553.03
7/13/2009	2009 Chevrolet Impala-White	xxxx9080	\$18,879.66
7/13/2009	2009 Chevrolet Impala-Silver	xxxx0210	\$18,879.66
6/22/2010	2010 Chevrolet Impala	xxxx8228	\$20,083.00
8/17/2010	2011 Chevrolet Traverse	xxxx9316	\$30,265.00
6/27/2011	2011 Chevrolet Traverse	xxxx5211	\$28,867.73
		Total	\$142,528.08

Federal Questioned Costs: 2011 - \$59,132.73, 2010 - \$83,395.35

- Another subrecipient, Memphis Workforce Investment Network, purchased a vehicle in fiscal year 2010 costing \$23,992.15 that was determined by current management not to be a necessary expenditure for the WIA program. As a result, they returned it to the department in August of 2011. Management of the department stated that the vehicle has been located at the department's lot since the transfer and has remained unused. OMB Circular A-87 requires that expenditures of federal awards be necessary and reasonable for proper and efficient performance and administration of Federal awards.

Purchase date	Description	Serial Number	Unit Cost
7/24/2009	Dodge Caravan SXT	xxxx5258	\$23,992.15

Federal Questioned Costs: 2010 - \$23,992.15

Lack of Proper Control Over Subrecipients' Equipment Inventory

We compared the equipment inventory list maintained by the department to the equipment inventory lists maintained by the subrecipients, and they did not agree. OMB Circular A-133, Part IV requires the department and the subrecipients to properly procure, use, maintain, and dispose of equipment acquired with federal awards. Examination of the inventory lists disclosed the following deficiencies:

- equipment items were shown on the subrecipients' inventory lists but were not on the department's inventory list and vice versa;

- equipment items' tag numbers and/or serial numbers shown on the department's inventory list did not agree with the tag numbers and/or serial numbers on the subrecipients' inventory lists;
- equipment items' cost reported on the subrecipients' inventory lists did not agree with the cost reported on the department's inventory list;
- equipment items' location on the subrecipients' inventory lists did not agree with the location shown on the department's inventory list; and
- equipment items were purchased prior to the department's approval.

Improper control over equipment increases the risk of equipment theft, misuse, or loss.

ALLOWABLE COSTS/COST PRINCIPLES:

Unallowed Reimbursements

During the period July 1, 2010, through June 30, 2011, ETHRA, Southeast Tennessee Development District, and Memphis Workforce Investment Network paid a service provider, the Center for Workforce Learning, Inc. (the Center), for unallowed costs. The Center provided technical assistance and professional coaching to these subrecipients for the WIA program.

- ETHRA paid \$40,000 to the Center for a six month license to access web based training for nine county offices. This cost was allocated to the WIA program. Based on inquiry of ETHRA management, this access was not used. After we brought this issue to the attention of the department's management, we were informed that communication was made with the Center to resolve this issue.

Federal Questioned Costs: \$40,000

- ETHRA paid \$35,000 to the Center to provide 18 days of technical assistance and professional coaching (\$27,000) and training material (\$8,000). This cost was allocated to the WIA program. According to the agreement between ETHRA and the Center, the Center was to provide the services at a cost of \$1,500 per day. However, on January 12, 13, and 14, 2011, the Center billed and received payment of \$9,000 (\$3,000 for each day). This was an overbilling and overpayment of \$1,500 for each of the three days.

Federal Questioned Costs: \$4,500

- ETHRA paid the Center \$80,000 to provide a 2-day work readiness seminar for summer youth camp on June 2 and 3, 2011. Of the \$80,000, the Center billed and was paid \$7,679.93 for materials, which included sales tax of \$502.43. Based on inquiry of management, we found that there was no supporting documentation. The agreement between ETHRA and the Center states in part that the Center was to:

1. Provide Certificates of Completion to the participating youth that successfully complete the training,
2. Track attendance during the training (morning and afternoon), and
3. Gather pre- and post-tests.

Based on inquiry of management and staff at ETHRA, the Center did not provide certificates of completion, participants' attendance records, and participants' pre- and post-test results. Therefore, it did not appear that the Center met the terms of the agreement.

After we brought this issue to the attention of the department's management in January 2012, documents supporting the payment were obtained from the Center. Although we reviewed these documents and they appeared proper, they should have been submitted to and reviewed by management prior to making the payment.

It should also be noted that the sales tax of \$502.43 that was charged to the WIA program was not an allowed cost. The state and the nonprofit agencies are exempt from paying sales tax.

Federal Questioned Costs: \$502.43

- Memphis Workforce Investment Network paid the Center at least \$15,000 for unallowed travel time. Based on discussion with management, the payment was not for actual travel expense; rather "it was for time lost during travel" to and from the subrecipient. However, the contract between Memphis Workforce Investment Network and the Center states, "... WIN will pay the daily rate of \$1,500 all-inclusive of travel, materials, etc." OMB Circular A-87 requires that reimbursement be made based on actual goods or services. Compensation for loss of an economic opportunity is not an actual service.

Federal Questioned Costs: \$15,000

- Southeast Tennessee Development District paid the Center at least \$22,500 for unallowed travel time. Based on discussion with management, the payment was not for actual travel expense; rather "it was for time lost during travel" to and from the subrecipient. The contract between the Southeast Tennessee Development District and the Center states,

... CWL typically charges a daily rate of \$2400 plus travel expense. Due to the extensive number of days this project will require, CWL will charge a daily rate of \$1500 all-inclusive for work on this project. Travel time will be part of a work day with half day billed to and half day billed from the designated location. Off-site work will be billable at the hourly rate of \$187.50. The budget will not exceed \$82,500 or 55 days.

As noted above, OMB Circular A-87 requires that reimbursement be made based on actual goods or services. Compensation for loss of an economic opportunity is not an actual service.

Federal Questioned Costs: \$22,500

OTHER CONTROL DEFICIENCIES:

No Procedures In Place to Follow Up on Subrecipients' Independent Audit Reports

Inquiry of the department's management and testwork disclosed that the department did not have procedures in place during the period July 1, 2010, through June 30, 2011, to follow up on its subrecipients' independent audit reports. OMB Circular A-133 requires that the recipient of the federal award monitor its subrecipients and follow up on any findings noted in the independent audit reports. Our examination of related documents disclosed that the department did not perform this function. The following is a summary of the federal questioned cost.

Federal Questioned Cost Summary		
2011		
CFDA #	Program	Questioned Cost
CFDA 17.258	WIA Adult Program	\$ 6,053.00
CFDA 17.259	WIA Youth Activities	\$ 41,068.43
CFDA 17.260	WIA Dislocated Workers	\$ 12,053.00
CFDA 17.258	ARRA - WIA Adult Program	\$ 14,433.87
CFDA 17.260	ARRA - WIA Dislocated Workers	\$ 102,626.86
Total		\$ 176,235.16
2010		
CFDA #	Program	Questioned Cost
CFDA 17.258	WIA Adult Program	\$ 31,109.17
CFDA 17.259	WIA Youth Activities	\$ 17,451.09
CFDA 17.260	WIA Dislocated Workers	\$ 26,801.89
CFDA 17.260	ARRA - WIA Dislocated Workers	\$ 32,025.35
Total		\$ 107,387.50

Recommendation

The Commissioner or designee should strengthen the controls over the subrecipients' activities, especially the areas noted in this finding. The Commissioner or designee should ensure that the risks identified in the annual risk assessments pertaining to subrecipients are

adequately addressed in the monitoring of the subrecipients' activities. The Commissioner or designee should ensure that the subrecipients comply with the requirements of the WIA program. Also, management should ensure that subrecipients are only reimbursed for expenditures made in accordance with the WIA program regulations and the requirements of OMB Circulars A-133 and A-87.

Management's Comment

EQUIPMENT:

Improper Purchase and Use of Computers and Vehicles

We concur, in part. To enhance the equipment purchase approval process, the Administrator for the Workforce Development Division and the Administrator for Fiscal and Administrative Services Division will review future equipment purchases to ensure that the purchases are reasonable and necessary. These equipment purchases would include computers and vehicles. The department has requested ETHRA to remove the computers from the local schools and to stop using the vehicles for commuting purposes. Also, the department has requested ETHRA to develop a plan to utilize the computers and vehicles in an allowable method by March 31, 2012.

However, we do not concur regarding the vehicle that was returned to the department by the Memphis Workforce Investment Network in August 2011. The auditors mentioned that the entity's "current management," which is also new management, determined that the vehicle was no longer necessary. Subsequently, the vehicle was returned to the department, which will make a decision regarding allowable usage by June 30, 2012.

Lack of Proper Control Over Subrecipients' Equipment Inventory

We concur. Beginning with the quarter ending March 31, 2012, the Fiscal and Administrative Services Division will compare the subrecipient's quarterly equipment listing to the department's equipment listing quarterly. Any resulting differences will be followed-up and reconciled. Also, the department's Program Accountability Review (PAR) unit will continue to test the subrecipient's equipment information, as part of the on-site monitoring review.

ALLOWABLE COSTS/COST PRINCIPLES:

Unallowable Reimbursements

We concur. To improve performance by certain subrecipients, targeted technical assistance was provided. Since the technical assistance has been implemented, the Tennessee Workforce Investment Act program will achieve all the Program Year 2010's negotiated goals. For the six month licenses purchased by ETHRA, the training has been provided to staff and the equipment is being utilized. The vendor agreed to extend the site license through June 30, 2012. We concur that the billing by the Center does not appear to agree with the contract language.

The Memphis Workforce Investment Network has already amended their contract with the Center to clarify both parties' original understanding of the contract. In the future and when applicable, the department will provide guidance regarding contract language to the subrecipients. We also concur that sales tax should not have been paid.

The department's PAR unit completed field work monitoring of the Southeast Tennessee Development District on January 30, 2012. As of February 17, 2012, this monitoring report has not been issued. Monitoring visits are scheduled for ETHRA to begin on April 9, 2012, and for Memphis Workforce Investment Network to begin on April 23, 2012. Additionally, the PAR unit is developing and implementing additional monitoring procedures to identify possible irregularities in vendor payments. These additional monitoring procedures will be implemented by March 31, 2012.

OTHER CONTROL DEFICIENCIES:

We concur. The Fiscal and Administrative Services Division will review and follow-up the findings and questioned costs in the subrecipients' independent audit report.

Finding Number	11-DOT-01
CFDA Number	20.205 and 20.509
Program Name	Highway Planning and Construction Cluster Formula Grants for Other Than Urbanized Areas
Federal Agency	Federal Highway Administration Federal Transit Administration
State Agency	Department of Transportation
Grant/Contract No.	Various
Federal Award Year	Various
Finding Type	Significant Deficiency
Compliance Requirement	Activities Allowed or Unallowed Allowable Costs/Cost Principles Reporting
Questioned Costs	N/A

The department did not assess and mitigate the risks associated with information systems security, increasing the risk of fraudulent activity

Finding

Based on our testwork, Department of Transportation staff did not always maintain proper information systems security, resulting in an increased risk of fraudulent activity. The wording of this finding does not identify specific vulnerabilities that could allow someone to exploit the department's systems. Disclosing those vulnerabilities could present a potential security risk by providing readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided department management with detailed information regarding the specific vulnerabilities we identified as well as our recommendations for improvement.

Recommendation

The Commissioner should ensure that these conditions are remedied through procedures that encompass all aspects of effective access controls. The Commissioner should ensure that risks associated with this finding are adequately identified and assessed in the department's documented risk assessment. The Commissioner should implement effective controls to ensure compliance with applicable requirements, assign staff to be responsible for ongoing monitoring of the risks and mitigating controls, and take action if deficiencies occur.

Management's Comment

We concur in part and have implemented procedures to address the situation.

Finding Number	11-DOT-03
CFDA Number	20.205
Program Name	Highway Planning and Construction Cluster
Federal Agency	Federal Highway Administration
State Agency	Department of Transportation
Grant/Contract No.	ARRA/STP-M-4967(3), ARRA-STP-M-9411(006), ARRA-STP-M-9312(97), ARRA-STP-EN-6800(22), ARRA/HPP-9101(011)
Federal Award Year	2009 through 2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Questioned Costs	\$12,540.79

Department of Transportation staff inappropriately charged expenditures to the Highway Planning and Construction program, resulting in federal questioned costs of \$12,540.79

Finding

The Federal Highway Administration (FHWA) provides funds under the Highway Planning and Construction program to assist states in the planning and development of an integrated, interconnected transportation system by constructing and rehabilitating the National Highway System, including interstate highways and most other public roads. Railroad company overhead and local government mileage reimbursements are allowable expenditures when overhead rates are properly updated and authorized by Department of Transportation (DOT) staff and when the mileage rates do not exceed the standard state mileage reimbursement rates. However, DOT paid railroad company overhead and local government mileage reimbursements using overhead rates that had not been properly updated or authorized and mileage rates that exceeded the standard state rate.

We tested 60 randomly selected transactions charged to the federal Highway Planning and Construction program for the period July 1, 2010, through May 31, 2011, which included 30 transactions from American Recovery and Reinvestment Act of 2009 (ARRA) funds and 30 transactions from non-ARRA funds. For 5 of 60 expenditure transactions we tested (8%), we found that the department charged unallowable costs to the federal grants as discussed below.

Unallowable Costs for Railroad Overhead Rates

For two of the five expenditure transactions, we found that the Roadway Specialist 2 and Operations Specialist Supervisor 1 approved and paid a railroad company's progress billings although the overhead rates the railroad company used had not been revised in several years. According to the *Code of Federal Regulations*, Title 23, Chapter 1, Subchapter B, Part 140, Subpart I, Section 140.907, "A state may elect to reimburse the railroad company for its overhead and indirect construction costs provided that: . . . [t]he rates are adjusted at least annually taking into consideration any overrecovery or underrecovery of costs" The DOT Finance Office's External Audit Section is responsible for approving the overhead rates for engineering firms and communicating the approved rates to the firms. External Audit last

approved the railroad company's overhead rates on May 8, 2003, so the railroad company has continued to submit the progress billings to the department based on these outdated overhead rates. The first progress billing, which was approved by the Roadway Specialist 2, included \$105.32 in overhead costs. The second progress billing, approved by the Roadway Specialist 2 and the Operations Specialist Supervisor 1, included \$11,757.33 in overhead costs, for an aggregate overhead amount of \$11,862.65.

Since the railroad company's overhead rates were not adjusted at least annually as required by federal regulations, the overhead amounts that the railroad company billed and TDOT reimbursed were not allowable costs per Office of Management and Budget (OMB) *Circular A-87*, resulting in known federal questioned costs of \$11,862.65. It was not practical to determine total overhead costs for the year, since these costs are not separately categorized in the department's general ledger.

Unallowable Costs for Local Government Mileage Rates from Sample Testwork

For three of the five expenditure transactions, we found that the Transportation Planner failed to detect that the mileage rate included in the reimbursement requests for two local governments exceeded the standard state mileage reimbursement rate. According to the Department of Finance and Administration's Policy 8, "Comprehensive Travel Regulations," the \$.46 mileage reimbursement rate became effective January 1, 2010, and remained in effect throughout our audit period.

For one of the local governments, the Transportation Planner approved one reimbursement request for payment without identifying that 51.6 miles were charged at an unauthorized rate of \$.51/mile, \$.05 in excess of the state's reimbursement rate. As a result, the department disbursed \$26.32 in federal funds to the local government when allowable costs were only \$23.74, a difference of \$2.58.

For the other local government, the Transportation Planner approved two reimbursement requests, which included aggregate charges of 3,018 miles at a rate of \$.56/mile. Since the Transportation Planner did not detect and correct the unauthorized mileage rate, the department reimbursed the local government for \$1,690.08 in mileage rather than the allowable amount of \$1,388.28, causing federal grants to be overbilled by \$301.80.

The differences between the mileage amounts the local governments should have charged ($\$23.74 + \$1,388.28 = \$1,412.02$) and the mileage amounts they actually charged and were reimbursed ($\$26.32 + \$1,690.08 = \$1,716.40$) are federal questioned costs of \$304.38 ($\$1,716.40 - \$1,412.02$).

We tested a sample of transactions totaling \$3,634,243.32 from a population of \$762,006,660.70.

Expanded Testwork on Local Government Mileage Rates

During our review, we found additional mileage rate errors concerning the second local government. Therefore, we expanded our testwork for that local government to include all reimbursement requests which were paid by the department during our audit period. We found that the Transportation Planner failed to uncover that the local government charged the department for another 3,961 miles at a \$.56 mileage reimbursement rate resulting in questioned costs of \$396.10 (3,961 miles x \$.10 per mile overcharge). Furthermore, our expanded testwork revealed that on one reimbursement request, the Transportation Planner overlooked the local government's calculation error in its mileage total. The local government charged the department \$785.68 for 116 miles at \$.56/mile; however, based on the correct calculation, the local government should have only billed \$64.96 for this mileage, a \$720.72 difference. In total, we identified additional known federal questioned costs of \$1,116.82 (\$396.10 + \$720.72) in our expanded testwork.

Before we brought these errors to the department's attention, the Auditor 2 with External Audit had reviewed the reimbursement requests submitted for the contract between the second local government and DOT as part of their subrecipient fiscal monitoring. During his review, the Auditor 2 had identified the instances of noncompliance that we found. In a report released in February 2011, External Audit took a finding on the local government and requested that the local government reimburse the department for the \$1,122.02 billed in excess of the state rate. In a report released in August 2011, External Audit repeated the finding on the local government and requested reimbursement for the remaining \$296.60 that the local government overcharged.

Extended Testwork on Mileage Rates for Transportation Planner's Projects

Because of the problems we discovered in our sample testwork, we performed extended testwork on the five local government projects under the Transportation Planner's oversight that had the highest dollar amount of expenditures during the 2011 fiscal year. We reviewed each reimbursement request that the local government submitted and the department paid during the fiscal year. We noted that the reimbursement requests for two projects included incorrect mileage rates. Both projects were funded with ARRA money.

<u>Project</u>	<u>No. of Miles</u>	<u>Mileage Rate Charged</u>	<u>Total Mileage Amount Charged</u>	<u>Total Mileage Amount That Should have Been Charged</u>	<u>Amount Questioned</u>
#1	14,321	\$0.50	\$7,160.50	\$6,587.66	\$572.84
#2	2,460	\$0.50	\$1,230.00	\$1,131.60	\$ 98.40
#2*	48	\$0.55	\$ 26.40	\$ 22.08	\$ 4.32

*This is for the same project as the row above where the local government used a different mileage rate.

In total, we identified known federal questioned costs of \$675.56 in our extended testwork on the five additional local government projects.

While the Director of the Office of Local Program Development and the Transportation Planner listed numerous factors that contributed to the Transportation Planner's approval of local government reimbursement requests containing unauthorized mileage rates, they agreed that incorrect mileage rates were used.

Summary of Questioned Costs

<u>Railroad Overhead Rates</u>	
Sample testwork	\$11,862.65
<u>Mileage Reimbursement Rates</u>	
Sample testwork	304.38
Expanded testwork	1,116.82
Extended testwork	675.56
<u>Detected and corrected during department's monitoring process</u>	
Sample testwork	(301.80)
Expanded testwork	<u>(1,116.82)</u>
Total questioned costs	<u>\$12,540.79</u>

Recommendation

The External Audit Manager should calculate the overhead rates that the railroad company should have used on the progress billings. The department should then reimburse or bill FHWA for the difference between the overhead amount that the railroad company charged and the allowable overhead amount. Furthermore, the External Audit Director and Manager should ensure the overhead rates for railroad companies that are parties to DOT contracts and that perform in-house engineering are revised at least annually in accordance with federal requirements.

DOT should reimburse the FHWA for the \$2,096.76 in federal questioned costs resulting from the use of incorrect mileage rates. The Director of Local Program Development should ensure that personnel responsible for approving local government reimbursement requests are aware that mileage charges are only allowable up to the standard state rate.

Although the risks associated with noncompliance with federal regulations were identified and assessed in the Finance Office's risk assessment, management should continue to assess risks of noncompliance with federal regulations and ensure controls are in place to mitigate those risks.

Management's Comment

We concur. The questioned costs of \$13,959.41 pertain to overhead costs for a railroad totaling \$11,862.65 and to mileage costs of four local governments totaling \$2,096.76.

The overhead costs of the railroad are questioned because the overhead rate used by the railroad was last verified by the department in 2003, though annual verifications are required. To correct the situation, an overhead rate per year will be determined and the amount previously billed will be adjusted to the correct amount using the verified rate. Credits or additional charges will be recorded and reflected on the next billing to the Federal Highway Administration.

The mileage costs for four local governments are questioned because incorrect rates per mile were used. The amount for the first entity was \$2.58. The mistake was detected during the monitoring process, but was considered immaterial. However, the local government has now been contacted, and a credit will be given on their next billing to us. The amount for the second government is \$1,418.62. This was also detected during the monitoring process, and a check was remitted in the amount of \$1,122.02 during fiscal year 2011, with the remaining amount of \$296.60 being credited in fiscal year 2012.

The amount for the third entity was \$572.84. After being made aware, a corrected monitoring report was issued, and the entity has until December 21, 2011 to respond. The amount of the final entity was \$102.72. As the applicable project is complete, the local government has been requested to submit a refund check.

Finding Number	11-DOT-06
CFDA Number	20.205 and 20.509
Program Name	Highway Planning and Construction Cluster Formula Grants for Other Than Urbanized Areas
Federal Agency	Federal Highway Administration Federal Transit Administration
State Agency	Department of Transportation
Grant/Contract No.	Various
Federal Award Year	Various
Finding Type	Significant Deficiency (20.205), Material Weakness (20.509) and Noncompliance
Compliance Requirement	Subrecipient Monitoring
Questioned Costs	N/A

As stated in the prior audit, the department did not always comply with the Department of Finance and Administration’s subrecipient monitoring requirements, thereby increasing the risk of not detecting fraud, waste, abuse, and noncompliance by subrecipients

Finding

As stated in the prior audit, the Department of Transportation (DOT) did not always comply with the state’s subrecipient monitoring guidelines as described in the Department of Finance and Administration’s Policy 22, “Subrecipient Contract Monitoring,” and the *Tennessee Subrecipient Contract Monitoring Manual*. The department has resolved the parts of the prior audit finding related to the completion of fiscal monitoring reviews and obtaining corrective action plans from subrecipients on prior monitoring findings. However, we found that the department’s Office of Local Program Development and Division of Multimodal Transportation Resources (DMTR) again failed to adequately document their risk assessments or complete program monitoring reviews.

Policy 22, which establishes uniform monitoring of subrecipients by state agencies, states that all monitoring activities should address “[t]he applicable core monitoring areas, as defined by the OMB [Office of Management and Budget] Circular A-133 Compliance Supplement.” The *Tennessee Subrecipient Contract Monitoring Manual*, which provides Policy 22 implementation guidance, describes the following steps as part of subrecipient monitoring:

- *Risk assessment and assignment* - When selecting and prioritizing contracts for monitoring each year, one of the factors that agencies should consider is the risk the subrecipient poses to the state. A risk assessment should be completed for each subrecipient on an annual basis in order to make this determination.
- *Reporting* - Following each monitoring review subrecipients should be notified of the outcome of the review. If findings and observations were identified, state agencies must issue a report that, at a minimum, summarizes

the findings and observations noted. Because development of an appropriate corrective action plan during the term of the contract is critical to ensuring compliance, the issuance of reports in a timely manner is essential. For this reason, reports shall be issued within 30 business days after the completion of all fieldwork . . . If no findings or observations were noted, subrecipients should be notified in writing of this fact.

Based on our discussions with the External Audit Director, who is in charge of the department's subrecipient monitoring efforts, the individual program areas are responsible for preparing the risk assessment forms for each of their subrecipients and for preparing a list of all subrecipient contracts that includes the assigned risk level resulting from completion of the risk assessment form. Each program area sends its subrecipient lists to the External Audit Director and maintains the individual risk assessment forms to support the assigned risk for the subrecipients. The department's subrecipient monitoring efforts for grants chosen for monitoring are divided between the Finance Office's External Audit Section and the program areas. The program areas' reviews address the following compliance requirements: activities allowed or unallowed, the Davis-Bacon Act, eligibility, reporting, special tests and provisions (if programmatic in nature), and Title VI (which is an additional state-specific requirement); the remaining core monitoring areas are under the External Audit Director's responsibility.

We tested the department's during-the-award monitoring of 40 contracts, 25 involving American Recovery and Reinvestment Act of 2009 (ARRA) funds and 15 non-ARRA contracts. For 34 of 40 subrecipient contracts tested (85%, 25 ARRA and 9 non-ARRA), we found that the Office of Local Program Development and DMTR did not complete risk assessment forms or program monitoring reports. Fifteen ARRA and six non-ARRA contracts were the responsibility of the Office of Local Program Development, which administers some of the Highway Planning and Construction program funds that are awarded to subrecipients. The remaining ten ARRA contracts and three non-ARRA contracts without risk assessment forms or program monitoring reports were the responsibility of DMTR, which administers the Formula Grants for Other Than Urbanized Areas (Formula Grants) program.

Based on our testwork, we found that neither the Transportation Coordinator for the Office of Local Program Development nor DMTR's Transportation Planner 3, who were responsible for preparing the subrecipient lists for External Audit, prepared annual risk assessment forms. For the Office of Local Program Development, the Transportation Coordinator labeled all ARRA contracts as high risk and all non-ARRA contracts as medium risk. Her labeling of the ARRA contracts as high risk appeared appropriate, but we could not evaluate the medium risk label for all non-ARRA contracts without annual risk assessment forms prepared by management for each subrecipient. For DMTR, the Transportation Planner 3 assigned the subrecipients' risk levels based on the following factors: if there were past monitoring findings, how long the subrecipients had been in the program, if she received special input from the program managers or DMTR management, and whether ARRA funds were involved. (As with the Local Program's grants, the Transportation Coordinator labeled all ARRA grants as high risk.) All of these factors appear to be relevant in the determination of the risk level, but the individual factors considered for each subrecipient were not documented on a risk assessment form.

We also noted during our review that these two program areas did not complete annual program monitoring reports. The Transportation Coordinator for the Office of Local Program Development prepared a “Monitoring Response” spreadsheet indicating that all of the core monitoring areas for all subrecipients had been met. Based on discussion with the Transportation Coordinator, the staff of the Office of Local Program Development ensures subrecipients’ compliance through their grant management activities but does not maintain any separate documentation for monitoring reviews. She stated that, since there were no instances of noncompliance, no reports were issued. However, as stated above, Policy 22 requires that monitoring reports be issued even when no findings or observations are noted. For the Formula Grants subrecipients, DMTR’s Director of Program Operations stated that the division’s program monitoring was being outsourced to a transportation consulting group. However, as a result of delays in finalizing the consulting group’s contract and developing a monitoring plan, no monitoring reviews were completed before the end of the fiscal year monitoring cycle.

When the department fails to fully complete subrecipient monitoring activities that address all applicable compliance requirements, there is an increased risk of inappropriate expenditures, noncompliance, and unmet program objectives. There is also an increased risk that fraud, waste, and abuse will occur and that they will not be detected and handled appropriately and timely by the department.

Given the problems identified in our testwork, we also reviewed the department’s risk assessment. We found that management’s risk assessment did not fully address the issues noted in this finding. The risk assessment does include the risk of program staff not effectively monitoring subrecipients each year. However, the internal control for this risk event is simply that “the program staff conduct the monitoring in accordance with the procedures and forms provided in the annual Subrecipient Monitoring Plan.” Additionally, despite the prior year’s audit finding, the risk assessment for the Office of Local Program Development indicates that failure to effectively monitor subrecipients is an unlikely event.

Recommendation

The Commissioner should ensure that program areas comply with the policies and procedures for program monitoring activities in order to meet state and federal monitoring requirements. DMTR’s Director and Transportation Planner 3 and the Transportation Coordinator for the Office of Local Program Development should ensure that annual risk assessments and programmatic review reports are properly completed. If necessary, the program areas should be required to submit these forms and reports to the department’s External Audit Section.

Although the risks associated with noncompliance were partially identified in the department’s risk assessment, management should reassess its risks and include the additional risks noted in this finding in its documented risk assessment. Management should also establish appropriate controls to mitigate the risks.

Management's Comment

We concur. The Local Programs Development Office and the Division of Multimodal Transportation Resources did not adequately document their risk assessments or complete monitoring reviews. We are aware of the shortcomings in this area and a review of the Local Programs Office is underway. There will be a reorganization of the Local Programs Office once this review is completed. In the meantime, the following corrective actions will be taken.

The Local Programs (LP) Development Office has developed a Risk Assessment Form for all projects developed by LP. This form will be placed in each project file and a notebook of all forms will be compiled and made available for review. A list of all subrecipient contracts that includes the assigned risk level resulting from completion of the risk assessment form will be maintained and provided to the External Audit Director. LP has provided to the External Audit Director an Annual Program Monitoring Report. Policy 22 requires that monitoring reports be issued even when no findings or observations are noted. LP has prepared a monitoring template that will be used to document monitoring findings per subrecipient. LP has coordinated with the External Audit Director and has compiled a list of 171 subrecipients who will be monitored during the calendar year 2012. The resulting monitoring report will be provided to the subrecipient per Policy 22. Monitoring reports will be placed in the project files and a separate notebook containing copies of the Monitoring Report will be compiled and made available for review. Implementation of these corrective actions is currently underway.

DMTR has contracted with a consultant to develop a Compliance Monitoring Program for subrecipients of Federal Transit Administration funding of the following programs: Elderly Persons and Persons with Disabilities Program, Non-urbanized Rural Formula Program, Job Access and Reverse Commute Formula Program, and the New Freedom Formula Program. The consultant will develop a Subrecipient Monitoring Manual, provide training to subrecipients, conduct on-site monitoring reviews of subrecipients, prepare and submit to DMTR a monitoring report and conduct follow-up reviews to ensure compliance with corrective action plans.

Finding Number	11-DOT-07
CFDA Number	20.205
Program Name	Highway Planning and Construction Cluster
Federal Agency	Federal Highway Administration
State Agency	Department of Transportation
Grant/Contract No.	Various
Federal Award Year	Various
Finding Type	Material Weakness
Compliance Requirement	Reporting
Questioned Costs	N/A

As stated in the prior audit, the Department of Transportation did not reconcile the Schedule of Expenditures of Federal Awards to the accounting records

Finding

As stated in the prior audit, the department's management did not ensure that the required reconciliation was performed in support of the department's Schedule of Expenditures of Federal Awards (SEFA). Based on our review of what was submitted to the Department of Finance and Administration (F&A), as well as discussion with the Accounting Manager responsible for preparing and submitting the SEFA, we found that the SEFA query results from Edison (the state's accounting system) did not agree with the reported Federal Highway Administration's (FHWA's) Highway Planning and Construction program expenditures. Additionally, there was no reconciliation prepared documenting the adjustments made to the query results to arrive at the reported amounts.

Section III.A of the Department of Finance and Administration's instructions for the preparation of the SEFA states,

Departments . . . that used Edison during any part of FY11 **must** submit printout(s) of Edison queries **TN_GR06_SEFA_EXP** (SEFA) and **TN_GR06S_SEFA_SUPPL** (SIS) as support for their schedule(s). In addition, Edison query results **must** be reconciled with the accounting records (General Ledger), and these reconciliations **must** be submitted with the SEFA. These reconciling activities should ensure that expenditures on the SEFA are consistent with the amounts in accounting records. **All** reconciling items should be clearly noted.

According to the SEFA Validation Form signed by the department's Finance Director, the query results submitted with the SEFA were reconciled to the accounting records. Additionally, the checklist that accompanied the Validation Form indicated that the expenditures on the SEFA "agree with or reconcile to either Edison queries or recorded disbursements in the general accounting records."

However, in our review of the Edison query submitted to F&A, we found that the expenditures for the FHWA's Highway Planning and Construction program did not match the expenditures reported on the SEFA. Even though staff sent a file listing the reported FHWA expenditures to F&A, staff did not reconcile the query results to the reported amounts. According to the Accounting Manager, she had to make adjustments to the FHWA amounts before she reported the federal expenditures on the SEFA. According to her, at least some of these adjustments were for state project expenses that incorrectly appeared in the SEFA query results. The Accounting Manager stated that the FHWA expenditures had been given to her by her supervisor, the Assistant Director of Finance, and that she was unable to provide a formally documented record of the adjustments that were made to the query results. While the Accounting Manager was aware of the differing amounts and knew that a reconciliation was required, she submitted the SEFA to F&A without obtaining formal approval or additional information from her supervisors.

When staff do not adequately reconcile query results for federal expenditures in the state's accounting system to the amounts reported on the SEFA, the department's risk of inconsistent and inaccurate reporting is increased.

Recommendation

The Director of Finance should ensure that a set of written procedures is developed for the preparation of the Schedule of Expenditures of Federal Awards. The Director of Finance should also ensure that the Accounting Manager, the Assistant Director of Finance, and all other staff who are responsible for SEFA preparation are fully aware of and comply with the Department of Finance and Administration's SEFA instructions. As a part of these procedures, staff should prepare reconciliations and management should review them. In addition, management should review and approve the SEFA before it is submitted to the Department of Finance and Administration.

Management's Comment

We concur. As recommended, written procedures for Finance Division staff to use in preparation of the Schedule of Expenditures of Federal Awards (SEFA) will be developed. These procedures will address: running the SEFA query, filtering the SEFA query, identification and running of queries to identify incorrect data, reconciling the SEFA query results to the Edison General Ledger, verification of CFDA information (title, description, federal agency names, etc.) and an event time line. The procedures will be written by March 31, 2012, and afterwards meetings will be held with appropriate staff to review and clarify the procedures.

Finding Number	11-DOT-02
CFDA Number	20.509
Program Name	Formula Grants for Other Than Urbanized Areas
Federal Agency	Federal Transit Administration
State Agency	Department of Transportation
Grant/Contract No.	Various
Federal Award Year	Various
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Equipment and Real Property Management
Questioned Costs	N/A

Controls over the vehicle inventory for the Formula Grants for Other Than Urbanized Areas program were inadequate, increasing the risk of misuse of grant program assets

Finding

As noted in the prior audit, the department's controls over the Formula Grants for Other Than Urbanized Areas (Formula Grants) vehicle inventory were not adequate to ensure that the vehicle inventory was properly safeguarded or inspected. The Formula Grants program provides funding, including capital assistance for vehicle purchases, to public transportation services in rural areas. The department's Division of Multimodal Transportation Resources (DMTR), which administers the Formula Grants program, is responsible for keeping an inventory of the vehicles purchased under this program and periodically inspecting them to verify their existence and to ensure that they are maintained.

The prior audit revealed that the department's vehicle inventory list was not properly maintained, vehicle inspections were not performed, and the department's records regarding the sale or disposal of vehicles were not complete or accurate. Management concurred with the prior finding and stated the specific corrective actions that would be taken. We reviewed DMTR's inventory and the inspection records for the Formula Grants vehicles and performed testwork on all disposals for the fiscal year ended June 30, 2011. Our testwork revealed that the department still did not adequately maintain vehicle records, ensure that all of the vehicles were inspected, or ensure that vehicle disposal records were complete and accurate.

Inventory Records

As also noted in the prior audit, the Transportation Specialist 1 maintains a vehicle inventory list based on information supplied by the program subrecipients instead of information in DMTR's purchasing and accounting records. The Transportation Specialist 1 stated that there were no formal written procedures for maintaining the vehicle lists. However, according to the Transportation Specialist 1, he added vehicles to the inventory list based on Vehicle Capital Asset Inventory Forms submitted by the subrecipients. For vehicles that were disposed of and should have been removed from inventory, the subrecipients submitted Vehicle Disposition Inventory Forms reporting the vehicle sales proceeds or insurance settlements. The Transportation Specialist 1 stated that he used the Property Inventory Forms that the

subrecipients submitted as a part of their grant applications as an annual verification that the vehicle inventory was up-to-date.

To determine if this process was sufficient, we reviewed vehicle purchases that were included in our expenditures testwork to determine whether the vehicles were properly included on DMTR's inventory list. Based on our review, we found that the Transportation Specialist 1 did not add 8 of the 16 vehicle purchases (50%) to the inventory, even though our review of the subrecipients' reimbursement requests found that subrecipients had properly prepared the Capital Asset Inventory Forms or included other documents with sufficient vehicle inventory data with the invoices they submitted for all of these purchases. Apparently the Transportation Specialist 1 did not use this subrecipient data to properly update the inventory as he stated in his control procedures described above. These 8 purchases included 30 vehicles with a total value of \$1,088,936. As stated in the prior finding, DMTR's invoice and purchasing files would be the most accurate and reliable source for the inventory file since DMTR is involved in the procurement of all new grant vehicles. Therefore, DMTR's records should be used as the basis for the inventory, and the information from subrecipients should be used for reconciliation purposes to ensure the vehicle inventory list is accurate.

Based on our review of the vehicle inventory list, we also found that the Transportation Specialist 1 did not complete the purchase date and cost fields on the inventory list. He also indicated "ARRA" or "ARRA funds" in the Program Section for some vehicles. However, while the American Recovery and Reinvestment Act of 2009 (ARRA) is a source of funds, it is not a grant program and should not be identified as such in the inventory. In addition, we identified one grant vehicle in our expenditures testwork, which was purchased for \$139,453 that was incorrectly listed on the inventory as a 5309 Transit Capital Investment grant program vehicle. These errors would have been detected if the Transportation Specialist 1 periodically reviewed the inventory list and compared it to other records. Disposal requirements differ based on the applicable grant program and vehicles' age and mileage. Therefore, without properly recording this vehicle and grant information on the inventory list, department management does not have an accurate record for determining which grant vehicles have met their useful life and may be sold or otherwise disposed of and for ensuring that proper disposal requirements were followed.

Inspections

We also noted in the prior audit that the Transportation Specialist 1 did not properly inspect all grant vehicles. As a part of department management's corrective actions, DMTR made changes to the vehicle inspection process. Instead of DMTR performing its own limited inventory inspections, DMTR obtained inspection data from the Tennessee Public Transportation Association Maintenance Alliance's Peer to Peer Inspections Program. However, the Transportation Specialist 1 responsible for DMTR's vehicle records did not reconcile the vehicle inspection reports to his list of ARRA vehicles. Without matching the individual vehicle inspection reports from the Peer to Peer Inspections Program to the list of ARRA vehicles, DMTR did not have adequate assurance that all of these vehicles had been inspected. In fact, according to DMTR's Director of Program Operations, the vehicles for Hancock County Rural Transportation, the City of Pigeon Forge, and Gatlinburg Mass Transit System, and the service

vehicles for the other nine agencies were not covered under the Peer to Peer Inspections Program. Therefore, based on our review of inspection records, the majority of these vehicles were not inspected. The *State of Tennessee Management Plan for The Administration of Federal Transit Grants* states that “each project vehicle is inspected annually at the sub-recipients agency by a staff member or a contractor of Division of Multimodal Transportation Resources . . . to determine if the vehicle has been properly maintained and is in safe operating condition.”

Disposal Records

As also noted in the prior audit, we found that DMTR did not have an accurate system to track the sale or disposal of vehicles from inventory. For our vehicle disposal testwork in the current audit, the Transportation Specialist 1 provided us a list of 68 vehicles sold or otherwise disposed of during the fiscal year ended June 30, 2011 (from 3 of the 12 subrecipients in the program). According to the Transportation Specialist 1, he prepared the listing from the Vehicle Disposition Inventory Forms submitted by subrecipients to DMTR. We contacted the other nine subrecipients and found that three of them had also disposed of 25 vehicles during the fiscal year, which were not included on the disposal list we received. In addition, based on our review of the Vehicle Disposal Inventory Forms, we found that the Transportation Specialist 1 recorded data inaccurately or incompletely on the disposal list for 22 of the 68 vehicles (32%). Specifically, we found the following:

- for three vehicles, the vehicle identification number was recorded incorrectly;
- for six vehicles, the federal program code was recorded incorrectly;
- for five vehicles, the mileage information was not recorded;
- one vehicle was included twice on the listing;
- for three vehicles, the program number was recorded in the wrong column;
- for three vehicles, the disposal date was recorded incorrectly; and
- for one vehicle, the type was not recorded.

Without an adequate tracking system, the Transportation Specialist 1 cannot ensure that he has properly accounted for all vehicle disposals, as required by federal regulations.

When program management does not establish adequate controls for managing and disposing of equipment, or does not follow established controls over grant vehicles and other program assets, there is an increased risk that assets, including vehicles, may be improperly maintained or misappropriated. In addition, without adequate equipment management procedures, there is an increased risk that problems, including fraud, waste, abuse, and noncompliance by subrecipients and/or employees, will occur and not be detected timely by the department.

Given the problems identified in our testwork, we also reviewed the department's risk assessment, and we found that management's risk assessment did not fully address the issues noted in this finding. Although DMTR's risk assessment includes the risk of the misuse, mismanagement, and inappropriate disposal of grant equipment and property, management did not list any internal controls for managing this risk.

Recommendation

DMTR management should ensure that a set of written policies and procedures for maintaining inventory and inspection records is developed. In addition, management should ensure that vehicle inspections are performed for all grant vehicles. The Transportation Specialist 1 responsible for vehicle inventory should take the necessary steps to ensure that the vehicle inventory and disposal records are accurate. Specific steps should include

- keeping the vehicle inventory, inspection, and disposal records up-to-date;
- completing all fields on the vehicle inventory list fully and accurately;
- updating the vehicle inventory list based on the purchase information submitted to the division; and
- reconciling the vehicle inventory list based on the purchasing records to the information submitted by subrecipients with their annual grant applications.

Finally, in its risk assessment, department management should document the mitigating controls for addressing the risks noted in this finding.

Management's Comment

We concur. The Division of Multimodal Transportation Resources (DMTR) amended the Capital Asset Inventory Form to address all required items. In addition, responsibilities for vehicle management and inventory were reassigned from the Transportation Specialist to a Planner 3. It should be noted that vehicles operated by the City of Gatlinburg and the City of Pigeon Forge were inspected during the audit.

Corrective action was addressed in the State Management Plan, which was approved by the FTA on December 1, 2011. Sub-recipients of Federal Transit Administration funding will receive training on the new procedures beginning January 19, 2012, and continuing through February 2012.

Finding Number	11-DOT-04
CFDA Number	20.509
Program Name	Formula Grants for Other Than Urbanized Areas
Federal Agency	Federal Transit Administration
State Agency	Department of Transportation
Grant/Contract No.	TN-86-X001
Federal Award Year	2009 through 2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Reporting
Questioned Costs	N/A

Department of Transportation staff understated federal funds expended on the Section 1512 report for the American Recovery and Reinvestment Act of 2009

Finding

As a recipient of funds through the American Recovery and Reinvestment Act of 2009 (ARRA), the Department of Transportation is required to prepare quarterly Section 1512 reports for its subrecipients. For programs receiving ARRA funds, including the Formula Grants for Other Than Urbanized Areas (Formula Grants) program, Section 1512 quarterly reports must be submitted to an online reporting database within ten days of the end of each calendar quarter. These reports are required to contain information for federal officials and the public about federal funds received, federal funds expended, project descriptions, estimates of the number of jobs created, and detailed information on any subcontracts or subgrants.

In preparing the quarterly Section 1512 reports, the department relies on information used for the Tennessee Recovery Act Management (TRAM) monthly status reports submitted to the Tennessee Department of Finance and Administration. For our testwork on the Section 1512 report for the quarter ended March 31, 2011, we traced key data elements to the TRAM monthly status report for the corresponding period and to other supporting documentation. Based on our testwork, we noted that the Administrative Services Assistant 2, who was responsible for preparing and submitting the Section 1512 report, reported the total federal expenditures as \$15,054,255.17 instead of \$15,389,646.90, resulting in an understatement of \$335,391.73. According to the Administrative Services Assistant 2, she mistakenly used the file with expenditures through February 2011 instead of the file with expenditures through March 2011 when preparing the Section 1512 report. She explained that she used the wrong file since all files are kept in the same directory. Based on our review, the March 2011 expenditures file was checked against detailed payment information from the subrecipients and was used for the TRAM report. According to the Civil Engineering Manager 1 responsible for the ARRA reports, the department does not reconcile the TRAM reports to the Section 1512 reports since the sources of information are the same for both reports. However, if the department had performed a review of these two reports, the risk of this type of error would have been mitigated.

The department was not aware of this error until we brought it to management's attention. Based on discussion with the Civil Engineering Manager 1 and our review, the federal funds expended were correct on the Section 1512 report for the quarter ended June 30, 2011.

The lack of effective controls over Section 1512 reporting increases the risk that the department will submit unreliable reports. Without reliable information about program activities, federal officials and the public do not know ARRA funding amounts and whether funding is achieving the required objectives.

Given the problems identified in our testwork, we also reviewed the department's risk assessment. We found that management's risk assessment did not fully address the issues noted in this finding. The department's risk assessment identified this as a low-risk event and did not list any internal controls.

Recommendation

The Civil Engineering Manager 1 responsible for ARRA reporting should revise the process for preparing the Section 1512 reports to ensure the accuracy and completeness of reported information. If necessary, the Civil Engineering Manager 1 should also implement a re-performance/review system to ensure that Section 1512 information is accurate prior to the report being submitted.

Although the risk of failing to submit timely and accurate Section 1512 reports was identified in the department's risk assessment, management should reassess this risk and document the controls that are in place to mitigate it.

Management's Comment

We concur. As stated in the audit, one of the 236 reports submitted for the quarter ending March 31, 2011, understated expenditures on the OMB 1512 report. The correct amount was included in the TRAM report. Once it was brought to our attention, we requested the Recovery Accountability and Transparency Board (RATB) to allow us to change the expenditures. The response was denied by the RATB because "reporting is cumulative, which means the last update to the report is always considered official, no matter what quarter that was. If needed, this report can be updated during the next reporting period with changes." It should be noted that the correct expenditures were reported for the next quarter.

Management will verify that future 1512 reports and TRAM reports are accurate and complete. We will also revisit our ARRA risk assessment and document any necessary additional controls to mitigate future risk.

Finding Number	11-DOT-05
CFDA Number	20.509
Program Name	Formula Grants for Other Than Urbanized Areas
Federal Agency	Federal Transit Administration
State Agency	Department of Transportation
Grant/Contract No.	TN-18-X028, TN-18-X029
Federal Award Year	2009 through 2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Questioned Costs	\$17,867.10

Department of Transportation staff inappropriately charged expenditures to the Formula Grants for Other Than Urbanized Areas program, resulting in federal questioned costs of \$17,867.10 and state questioned costs of \$169,481.05

Finding

The Formula Grants for Other Than Urbanized Areas (Formula Grants) program provides federal financial assistance for capital, operating, and administrative expenses to initiate, improve, or continue public transportation service in nonurbanized areas. The department's Division of Multimodal Transportation Resources (DMTR) administers the Formula Grants program through subrecipients that act as transit providers in rural areas. In our testwork, we found that the department charged \$17,867.10 to the Formula Grants program for expenditures on reimbursement requests which were not adequately supported, which included items that were not allowable under federal guidelines, and which were not mathematically accurate.

We tested 60 randomly selected transactions charged to the Formula Grants program for the period July 1, 2010, through May 30, 2011, which included 26 transactions from American Recovery and Reinvestment Act of 2009 (ARRA) funds and 34 transactions from non-ARRA funds. We found that the department inappropriately charged expenditures for 3 of 60 transactions tested (5%); none of these expenditures involved the use of ARRA funds. The details of these three exceptions are discussed below.

- For one expenditure, a subrecipient did not provide adequate documentation for the \$185,688.44 operating assistance claimed on its reimbursement request. For our audit, the subrecipient provided a general ledger detail report, along with copies of invoices and check stubs for the individual payments listed on the report. However, not all expenses listed on the reimbursement request could be traced to the general ledger report. In addition, a considerable portion of these operating expenses were labeled as "Account Corrections" entries on the general ledger report. The subrecipient's Fiscal Director failed to provide any further information regarding the nature of these expenses on the reimbursement request. According to Office of Management and Budget (OMB) Circular A-87, costs must "be adequately documented" to be allowable under federal awards. Therefore, the \$16,760.63

federal share and the \$168,927.81 state share for the operating expenses on this reimbursement request are questioned costs.

- For one expenditure, a subrecipient's reimbursement request included \$1,972.94 in charges for 1,000 "van calendars." Based on discussion with the subrecipient's Assistant Transportation Director, these were small cardboard paper models of transit vans, which had the agency's contact information on the front and a monthly calendar pad in the middle. According to the Assistant Transportation Director, these calendars were given out to riders to assist them in scheduling later trips. DMTR's Director of Program Operations stated that these items were allowable since, according to Attachment B, Section 1.D., of OMB Circular A-87, "costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of Federal awards" are allowable public relations costs since they are "considered necessary as part of the outreach effort for the Federal award." Although some public relations costs are allowable, the circular specifically states that promotional items are unallowable. According to OMB Circular A-87, Attachment B, Section 1.F., "Unallowable advertising and public relations costs include . . . costs of promotional items and memorabilia, including models, gifts, and souvenirs." Therefore, the \$986.47 federal share and the \$493.24 state share for these items are questioned costs.
- For one expenditure, a subrecipient's reimbursement request was not mathematically accurate and included costs unrelated to the grant program. When preparing the reimbursement request, the subrecipient's Transportation Director incorrectly calculated the total operating expenses as \$17,688.40 instead of \$17,658.40. Based on our review of supporting documentation, we also found that the Transportation Director included \$210.00 in repairs on a non-grant vehicle as "Maintenance & Repair" costs on the reimbursement request. In total, the subrecipient claimed \$240.00 for expenses that had not actually been incurred for grant activities; therefore, the \$120.00 federal share and the \$60.00 state share for the overstated expenses are questioned costs.

The Transportation Specialist 1 responsible for reviewing Formula Grants reimbursement requests failed to note the \$30 mathematical error, but she could not have identified the other issues because supporting documentation was not submitted with the reimbursement requests. According to the department's invoice documentation requirements, the not-for-profit subrecipients in the Formula Grants program are not required to submit supporting documentation for operating or administrative costs for reimbursement purposes.

OMB Circular A-133 requires us to report all known questioned costs when known or likely questioned costs exceed \$10,000 for a federal compliance requirement. In our expenditure sample testwork, we questioned federal costs of \$17,867.10 out of a total sample of \$1,075,552.14. The total amount of the population from which we sampled was \$11,496,528.46.

Recommendation

DMTR's Director should take the necessary steps to ensure that subrecipients are aware of the types of costs that can be submitted for reimbursement and that these costs are grant-related and adequately documented. In addition, Program Managers and other DMTR staff should ensure that the reimbursement requests are mathematically accurate. As necessary, the Director of Finance and DMTR's Director should require subrecipients to provide supporting documentation and ensure that the Federal Transit Administration and the state are reimbursed for questioned costs.

Although the risks associated with noncompliance with federal regulations were identified and assessed in the Finance Office's risk assessment, management should continue to assess risks of noncompliance with federal regulations and ensure controls are in place to mitigate those risks.

Management's Comment

We concur in part. DMTR is of the opinion that OMB Circular A-87 (Revised) Attachment B, Section 1 Advertising and public relations costs, Item d, allowable public relations costs, would apply to the purchase of van calendars. The calendars contain county dispatcher phone numbers for reserving transportation for the demand response service. Reservations must be made 48 hours in advance, and the calendars are designed to assist passengers in scheduling trips and are a part of the public transit program outreach efforts.

To underscore the importance of allowable costs, in December 2011, subrecipients were sent information regarding the types of costs for which reimbursement may be submitted, in particular the use of federal funds for holiday gifts, and/or promotional items.

Finding Number	11-TDEC-01
CFDA Number	66.458 and 66.468
Program Name	Capitalization Grants for Clean Water State Revolving Fund Capitalization Grants for Drinking Water State Revolving Fund
Federal Agency	Environmental Protection Agency
State Agency	Department of Environment and Conservation
Grant/Contract No.	N/A
Federal Award Year	2011
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Subrecipient Monitoring
Questioned Costs	N/A

The management and staff of the Department of Environment and Conservation again did not comply with federal requirements of OMB Circular A-133, Section 400(d)

Finding

As noted in the prior audit, management and staff of the Tennessee Department of Environment and Conservation (TDEC) did not comply with the federal requirements of the Office of Management and Budget (OMB) Circular A-133, Section 400(d), which defines the responsibilities of pass-through entities who pass federal grant funds to subrecipients. Our prior audit finding reported that TDEC failed to ensure compliance with the specific OMB A-133 requirements for:

- monitoring the activities of subrecipients,
- subrecipients' audits,
- issuing management decisions for subrecipients' audit findings, and
- notifying subrecipients of specific award information.

TDEC management concurred with the prior audit finding and stated, "Management and staff will develop controls to mitigate the risks identified and ensure these controls are in place to ensure compliance with federal regulations to mitigate risks of fraud, waste and abuse." In our current audit, we determined that management corrected the issues from the prior finding related to issuing management decisions for subrecipients' audit findings and notifying the subrecipients of specific award information. However, we found that the weaknesses related to subrecipients' monitoring and audit requirements were not corrected.

Background Information

The Environmental Protection Agency awarded capitalization grants to the state to create and maintain the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF) programs. Under the Clean Water program, the state encourages (1)

construction of wastewater treatment facilities to meet the enforceable requirements of the Clean Water Act; (2) increasing the emphasis on nonpoint source pollution control and protection of estuaries; and (3) establishing permanent financing institutions to provide continuing sources of financing to maintain water quality. The Clean Water fund provides loans and other types of financial assistance (but not grants) to qualified communities and local agencies; it is a permanent revolving fund. Under the Drinking Water program, TDEC established the revolving loan fund to assist public water systems in financing the costs of infrastructure needed to achieve or maintain compliance with Safe Drinking Water Act requirements and protect the public health objectives of the act. The Drinking Water fund can be used to provide loans and other types of financial assistance for qualified communities, local agencies, and private entities. The federal regulations also allow states to set aside certain percentages of their capitalization grant or allotment for various activities that promote source water protection and enhanced water systems management.

To carry out the Clean Water and Drinking Water programs, the state as part of its initial application for the capitalization grant designated TDEC with the responsibility to administer the State Revolving Fund Loan Program (SRFLP) in accordance with the Safe Drinking Water Act. The SRFLP provides local governments, utility districts, and water and/or wastewater authorities (subrecipients) with low-cost loans for the construction of wastewater and drinking water facilities. The SRFLP is funded by the federal capitalization grants, state matching dollars, and the repayment of previous loans. Each year TDEC management determines the amount available for loans to subrecipients and makes loan awards to subrecipients as approved by the governing board, the Tennessee Local Development Authority (TLDA). The SRFLP Manager notifies subrecipients that they have been approved for a loan, though no money is loaned until the subrecipient incurs project expenses and submits reimbursement requests. Once a subrecipient incurs costs and requests reimbursement, the SRFLP Manager approves the reimbursement request and authorizes the loan payment to the subrecipient from the State Revolving Fund.

Because the State Revolving Fund contains federal and state funds, the SRFLP Manager must determine which source of funds will be used to reimburse each loan reimbursement request. Historically, in order to draw down federal reimbursement dollars sooner for the Clean Water State Revolving Fund projects, the SRFLP Manager has awarded federal loan funds to larger subrecipients who have multiple projects. This method of awarding loan funds reduces the chances of smaller subrecipients incurring the cost of a single audit, which is required when subrecipients receive and spend federal funds above a certain threshold. The SRFLP Manager does not determine whether federal or state funds make up each loan at the time the loan is awarded, but rather at the time reimbursements are made. In our prior audit, the Program Manager stated that he did not notify subrecipients at either time whether the loan award included federal funds, but said he notified subrecipients when their loan agreements included federal dollars from the American Recovery and Reinvestment Act of 2009 (ARRA). In fiscal year 2011, to correct the previous finding, program management amended loan agreements for loans awarded after September 1, 2010, to notify subrecipients of the required award information. Also, staff who work in support of the Tennessee Local Development Authority send letters to subrecipients to disclose the amount of federal funds disbursed to the subrecipients.

Subrecipient Monitoring

In our prior audit, we reported that TDEC relied on its efforts to comply with the Department of Finance and Administration's Policy 22, *Subrecipient Contract Monitoring*, to ensure TDEC's subrecipients who received federal funding were monitored and to ensure TDEC management and staff met applicable federal compliance requirements. The state's Policy 22 specifically requires state department and agencies to address the compliance with OMB Circular A-133 Section 400(d)(3), to "[m]onitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved."

We noted in the prior audit finding that none of the CWSRF and DWSRF loan subrecipients were included in management's 2009 or 2010 federal fiscal year Policy 22 annual monitoring plans because they were not properly identified as part of the subrecipient population. We also reported in the prior finding that those subrecipients were not monitored. In response to that finding, management specified that the 2011 federal fiscal year Policy 22 monitoring plan included all CWSRF and DWSRF subrecipients. Management also stated that all future Policy 22 monitoring plans would include all CWSRF and DWSRF subrecipients.

In the current audit, to determine whether TDEC management adequately identified all CWSRF and DWSRF subrecipients in its 2011 federal fiscal year Policy 22 population, we obtained a listing of all subrecipients who were issued CWSRF and DWSRF loan payments from TLDA staff and compared that listing to TDEC's subrecipient population. Based on our testwork, we found that 5 of 43 (12%) CWSRF and DWSRF subrecipients were not included in the federal fiscal year 2011 Policy 22 annual monitoring plan and, therefore, were not monitored as required by state and federal regulations. Even though TDEC management took steps to correct the prior finding, management still failed to include the subrecipients who only received non-ARRA federal funding through the CWSRF and/or DWSRF loan agreements. These five subrecipients were awarded federal loans and were reimbursed for expenses totaling \$5,124,617.18 in fiscal year 2011.

Although TDEC did not include these subrecipients in its formal monitoring efforts, we did determine that program staff performed inspections of subrecipient construction sites to ensure that work performed conformed to state-approved plans, agreed to reimbursement requests submitted, and used agreed-upon materials; however, the inspections did not address specific program or OMB Circular A-133, Section 400(d) requirements.

Subrecipients' Audits

OMB Circular A-133, Section 400(d)(4), requires TDEC to "[e]nsure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year."

Based on our interviews with the department's Director of Internal Audit and staff, to monitor subrecipients for OMB Circular A-133 audit requirements, the internal audit staff

reviewed subrecipients' independent audit reports as part of their Policy 22 monitoring reviews and also obtained a separate listing of subrecipients from Edison, the state's accounting system, to ensure they had identified all subrecipients within the department.

However, for our audit period, we found that internal audit staff failed to identify 7 of 15 CWSRF and DWSRF subrecipients (47%) who had received federal funding above \$500,000 and thus required an audit based on fiscal year 2010 expenditures. As a result, internal audit staff did not ensure audits for these subrecipients were obtained.

Of the 15 CWSRF and DWSRF subrecipients, none were included in the 2010 federal fiscal year Policy 22 monitoring plan, as described above. Therefore, internal audit staff did not monitor any of the subrecipients as part of their 2010 federal fiscal year Policy 22 reviews. However, internal audit staff did monitor one subrecipient as part of a separate ARRA contract process review. Internal audit staff also monitored five other subrecipients with their 2011 federal fiscal year Policy 22 reviews. Furthermore, an additional two subrecipients were identified on the Edison listing but only because these subrecipients had multiple contracts with TDEC. The Edison listing did not include subrecipients who only received CWSRF or DWSRF loan payments. The seven subrecipients internal audit failed to monitor were awarded federal loans and reimbursed for expenses totaling \$6,716,226.35.

When we notified internal audit staff of the omission of subrecipients, they immediately revised their procedures to include a separate step to obtain a list of CWSRF and DWSRF subrecipients from TLDA staff. However, internal audit staff did not implement the corrective action until after fiscal year 2011 had ended and after the deadline for the subrecipients to obtain an audit had passed.

Because we determined that management had not fulfilled their responsibilities under OMB A-133 for these seven CWSRF and DWSRF subrecipients, we expanded our testwork to determine if in fact the subrecipients had followed the OMB Circular A-133 requirements and had obtained an audit. We found the following:

- The City of Memphis, a CWSRF subrecipient since fiscal year 2010, received and expended \$2,561,049 in CWSRF loan funds for fiscal 2010 and failed to report these expenditures on the Schedule of Expenditures of Federal Awards (SEFA) or on its Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations, the SF-SAC. As a result, their independent auditor did not know to audit these federal funds when in fact the level of CWSRF expenditures would have qualified CWSRF as a major program in 2010. Memphis was awarded two separate Clean Water fund loans totaling over \$9 million in state and federal funds for fiscal 2010 and 2011. After we notified internal audit staff of this omission, they sent Memphis a letter requesting corrective action. Memphis' independent auditor subsequently audited CWSRF as a major program. Memphis also corrected its SEFA and SF-SAC.

- Of the remaining 14 CWSRF and DWSRF subrecipients, 10 did not appropriately identify the amount of CWSRF/DWSRF expenditures on the SEFA and/or SF-SAC. One of these subrecipients also failed to correctly identify its two federal programs on its SEFA and SF-SAC.

Management's failure to follow state and federal requirements governing its responsibility as a pass-through entity increases the risks of noncompliance, fraud, waste and abuse within the federal programs. Given the problems we noted in our testwork, we also reviewed TDEC's most recent risk assessment. We determined that the department appropriately identified the risks included in this finding in its risk assessment, but adequate controls were not in place to prevent noncompliance.

Recommendation

The Commissioner of Environment and Conservation should require all employees who are responsible for federal grants to take immediate action to ensure compliance with all federal regulations. Management and staff should ensure controls are adequately established to mitigate risks of noncompliance, fraud, waste, and abuse within the federal programs. Specifically, management should ensure

- that all subrecipients who are required to be monitored under federal regulations are appropriately identified in the monitoring plans and are monitored;
- that all subrecipients receiving more than \$500,000 in federal funding, including all applicable CWSRF/DWSRF loans, annually obtain the required independent auditor's report; and
- that TDEC management communicates to all subrecipients the importance of accurate SEFA and SF-SAC reporting.

Management's Comment

We concur with recommendations #2 and #3 and concur in part with recommendation #1 as discussed below. Management and staff will continue to develop controls to mitigate the risks identified and ensure these controls are in place to comply with federal regulations to mitigate risks of fraud, waste and abuse. Risk assessments prepared for the year ended December 31, 2011, included the risks identified in this finding. Below are management's responses to each recommendation.

Recommendation #1: Management should ensure that all subrecipients who are required to be monitored under federal regulations are appropriately identified in the monitoring plans and are monitored.

We concur in part. The Comptroller's single audit included TDEC's Capitalization Grants for the Clean Water and Drinking Water State Revolving Fund programs. These

programs' subrecipients represent only 15%¹ of TDEC's total population of subrecipient contracts for the federal fiscal year ended September 30, 2011. The audit report states "that 5 of 43² (12%) CWSRF and DWSRF subrecipients were not included in the federal fiscal year 2011 Policy 22 annual monitoring plan . . ." We agree that these 5 subrecipients were not included in our 2011 monitoring plan; however, it should be pointed out that these 5 subrecipients represent only 1.3% (5/388) of TDEC's total subrecipient population that TDEC is responsible for monitoring.

The 2011 Subrecipient Monitoring Plan was submitted to Finance and Administration (F&A) on September 30, 2010, and an amended plan was re-submitted to F&A in November 2010. The prior year Single Audit was issued March 29, 2011, four (4) months after the issuance of this plan. In TDEC's response to the prior year audit findings, management stated, "All future submittals to F&A³ will include all the CWSRF and DWSRF loan recipients." TDEC management did not understand it was necessary to go back and make subsequent changes to the 2011 Subrecipient Monitoring Plan that was submitted prior to the March 29, 2011, Single Audit Report.

After discussions with the Comptroller auditors, TDEC staff has proactively revised the 2011 Subrecipient Monitoring Plan to include all subrecipients. We will continue to improve our internal controls so that future submittal of Subrecipient Monitoring Plans will include all subrecipients.

Recommendation #2: Management should ensure that all subrecipients receiving more than \$500,000 in federal funding, including all applicable CWSRF/DWSRF loans, annually obtain the required independent auditor's report.

We concur. Since the issuance of last year's Single Audit Report on March 29, 2011, TDEC management has been proactive in implementing policies and procedures to ensure our compliance with OMB A-133 audit requirements. This implementation process is a very involved process that requires interaction between TDEC divisions as well as interaction with the Tennessee Local Development Authority. Internal Audit staff has modified procedures to ensure that subrecipients receiving more than \$500,000 in federal funding annually obtain the required independent auditor's report.

Recommendation #3: Management should ensure that TDEC management communicates to all subrecipients the importance of accurate SEFA and SF-SAC reporting.

We concur. Management will ensure that subrecipients will receive communication from TDEC informing them of the importance of accurate SEFA and SF-SAC reporting.

¹ CWSRF/DWSRF subrecipient contracts total 58 of TDEC's total subrecipient population of 388.

² Comptroller's total of 43 only includes CWSRF/DWSRF loan recipients receiving Federal Funds.

³ The 2012 Subrecipient Monitoring Plan was submitted September 30, 2011.

Finding Number	11-DHS-01
CFDA Number	81.042
Program Name	Weatherization Assistance for Low-Income Persons
Federal Agency	Department of Energy
State Agency	Department of Human Services
Grant/Contract No.	DE-FG26-07NT43135 DE-EE0000114
Federal Award Year	2009 through 2012
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed Allowable Costs/Cost Principles
Questioned Costs	\$41,165

As noted in the prior audit, the Department of Human Services did not ensure that the subrecipients followed key controls over the Weatherization Assistance for Low-Income Persons program, resulting in federal questioned costs for fiscal year 2011 totaling \$41,165 and an increased risk of fraud, waste, abuse, and additional noncompliance

Finding

As noted in the prior audit, which covered the period July 1, 2009, through June 30, 2010, the Department of Human Services (DHS) again did not ensure that the subrecipients followed key controls over the Weatherization Assistance for Low-Income Persons (WAP) program, resulting in federal questioned costs for fiscal year 2011 totaling \$41,165 and an increased risk of fraud, waste, abuse, and continued noncompliance.

In the prior audit, we noted the following problems:

- non-weatherization measures were performed;
- weatherization measures were not completed;
- weatherization measures were not properly completed;
- weatherization measures were not verified;
- payments to the contractors did not agree to the original bid or invoice, or payments included duplicate measures;
- payments to the energy auditor exceeded the maximum amount;
- payment was made for a measure that should not have been recommended;
- payments for change orders were not properly approved;
- pre-energy audit and original bid did not agree;
- pre-energy auditors were not certified;
- lack of documentation of certified energy auditors or authorized individuals;
- post-energy audits were not properly performed;
- post-energy auditors were not certified or authorized;
- post-energy audit was not documented;
- contractor was not licensed;

- contractor insurance, license, and training documentation were not in the file; and
- weatherization measures were not installed that should have been installed.

During the current audit of fiscal year ended June 30, 2011, we did not find evidence that

- contractors performed non-weatherization measures;
- subrecipients paid contractors for invoices that did not agree to the original bid;
- subrecipients paid the energy auditor in excess of the maximum amount allowed;
- subrecipients paid contractors for measures that should not have been recommended;
- where the pre-energy audits did not agree with the original bid;
- pre-energy auditors were not certified;
- post-energy audits were not documented;
- contractors were not licensed; or
- weatherization measures that were not installed but should have been.

Thus, these problems were not repeated in this finding. However, the remaining uncorrected issues:

- weatherization measures were not completed;
- weatherization measures were not properly completed;
- weatherization measures were not verified;
- payments for change orders were not properly approved;
- lack of documentation of certified energy auditors or authorized individuals;
- post-energy audits were not properly performed;
- post-energy auditors were not certified or authorized; and
- contractor insurance, license, and training documentation were not in the file

were repeated for the fiscal year ended June 30, 2011.

In response to the prior audit finding, management did not concur and stated in part:

The Department of Human Services has developed a transparent and accountable weatherization program designed to adapt to the multi-million dollar increase in funding that was received as a result of the American Recovery and Reinvestment Act of 2009 (ARRA). We agree the Subrecipients responsible for the direct administration of the program have sometimes lacked the proper controls over administering the program; however we do not agree that the Department failed to ensure key controls were in place. All of the current controls in place were designed by the Department to create a system of checks and balances where there was not previously. . . . As noted in the recommendations, the Department has and will continue to provide proper oversight of the weatherization program, we have adjusted procedures and processes to continually ensure the Subrecipients are following Department of Energy (DOE) policy and state contractual requirements.

In the prior audit finding follow-up report, which DHS management sent to the Division of State Audit, management stated in part:

The Department has and will continue to provide proper oversight of the weatherization program. This includes continued quarterly monitoring visits and ensuring that all payments are allowable, reasonable, all pre and post energy audits are properly performed and documented and all work is completed by certified energy auditors and properly licensed contractors and all change orders in excess of \$100 are properly approved, including site visits. We have adjusted procedures and processes to ensure the subrecipients are following the Department of Energy and DHS policies as well as state contractual requirements.

WAP PROGRAM INFORMATION

On April 1, 2009, the U.S. Department of Energy (DOE) awarded the state \$99 million in American Recovery and Reinvestment Act of 2009 (ARRA) funds for the WAP program. The ARRA funds are available for a three-year period ending March 31, 2012. In addition, DOE awarded \$3 million of non-ARRA funding to the state in the fiscal year ended June 30, 2011, bringing the total award to \$102 million. To implement the program, DHS contracted with 18 subrecipients (nonprofit organizations) across the state.

Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," requires us to plan and perform our audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements that could have a direct and material effect on a major federal program.

Program Objectives

According to the OMB Circular A-133 Compliance Supplement:

The objective of the Weatherization Assistance for Low-Income Persons (WAP) program is to increase the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total expenditures on energy, and improve their health and safety. WAP has a special interest in addressing these needs for low-income persons who are particularly vulnerable, such as the elderly, disabled persons, and families with children, as well as those with high energy usage and high energy burdens.

DHS is responsible for administering the WAP program. As the pass-through entity, DHS is responsible for advising subrecipients and monitoring the subrecipients' activities to ensure that federal awards are used for authorized purposes and in accordance with the grant award, grant requirements, and OMB Circular A-133.

Scope of the Review

To determine whether DHS and the subrecipients complied with WAP federal activities allowed or unallowed/allowable costs requirements, we reviewed the related client files, energy auditor files, and contractor files for 258 files from a population of 11,886 weatherized homes. Our work also included site visits at 99 of the 258 weatherized homes.

Overview of the Weatherization Process

DHS contracted with the following 18 subrecipients to administer the weatherization program:

- Blount County Community Action Agency (Blount)
- Bradley-Cleveland Community Services Agency (Bradley)
- Chattanooga Neighborhood Enterprise, Inc. (Chattanooga)
- Clarksville-Montgomery County Community Action Agency (Clarksville)
- Delta Human Resource Agency (Delta)
- East Tennessee Human Resource Agency (East Tennessee)
- Highland Rim Economic Corporation (Highland Rim)
- Knoxville-Knox County Community Action Committee (Knoxville)
- Metropolitan Development and Housing Agency (Metro)
- Mid-Cumberland Community Action Agency (Mid-Cumberland)
- Mid-East Community Action Agency (Mid-East)
- Northwest Tennessee Economic Development Council (Northwest)
- Shelby County Community Services Agency (Shelby)
- South Central Human Resource Agency (South Central)
- Southeast Tennessee Human Resource Agency (Southeast)
- Southwest Human Resource Agency (Southwest)
- Upper Cumberland Human Resource Agency (Upper Cumberland)
- Upper East Tennessee Human Development Agency (Upper East)

Applicants seeking to obtain weatherization assistance under the program must apply at the subrecipient which serves their location. The applicants must meet the eligibility requirements of the weatherization program and the subrecipients' weatherization coordinators are responsible for ensuring that all eligibility requirements are met and fully documented.

To meet eligibility requirements, the applicant's income must be at or below 200% of the poverty level. In addition, the dwelling may not have more than four units. If the dwelling is more than two units, half of the units must meet the eligibility requirements. Furthermore, the dwelling cannot have been weatherized since September 30, 1994.

In addition, to be eligible for weatherization assistance, the homeowners are required to certify that weatherization work is allowed on the home. Rented dwellings are eligible for the program. However, if the dwelling is rented, a homeowner authorization form is to be signed by the homeowner (landlord) approving the weatherization work. The subrecipients' weatherization coordinators are responsible for ensuring that there is proper documentation of home ownership

and that homeowners granted permission for the weatherization work. See Finding 11-DHS-02 for the results of our eligibility testwork.

Once the subrecipient weatherization coordinators approve the applicants and the dwellings, the weatherization coordinators send a certified energy auditor to the dwelling to perform a pre-energy audit to determine the weatherization work needed. The energy auditor completes the pre-energy audit using the National Energy Audit Tool (NEAT) or Mobile Home Energy Audit Tool (MHEA) to determine which weatherization measures should be installed on the home, based on a savings-to-investment ratio. The approved weatherization measures are then placed onto a NEAT or MHEA, which becomes the work order.

All work orders are displayed on the DHS website for 10 days. Approved weatherization contractors are allowed to submit sealed bids during this time period. After the 10 days, bids are opened by at least two individuals during a bid award ceremony. The subrecipient weatherization coordinator and either a board member or an individual who does not work in the weatherization program open the bids. Contractors are invited to attend the bid award ceremony but are not required. The contracts are awarded to the lowest bidder.

The contractors are responsible for properly completing the weatherization work within the contracted time period. Once the contractors complete the work, the subrecipients' weatherization coordinators send a certified energy auditor to the home to perform a post-energy audit. The energy auditor inspects the contractors' work to ensure that the work was properly completed. The post-energy audit is a critical point in the process because it determines if the home was properly weatherized. The energy auditor can either pass or fail the contractors' work. These final inspections are a key control for DHS and the subrecipients because the results of the inspections initiate the payment to the contractors.

The contractors invoice the subrecipients for the work performed. The subrecipient weatherization coordinator is responsible for comparing the bids, contractors' invoices, and the post-energy audits to ensure the contractors' invoices are correct and that the work was properly completed. The subrecipient then pay the contractors and invoice DHS for reimbursement.

RESULTS OF OUR FILE REVIEW AND SITE VISIT TESTWORK

Based on our review of 258 client files and 99 site visits, we found that subrecipients paid weatherization contractors and energy auditors for

- weatherization measures that were not completed or verified;
- weatherization measures resulting from change orders which were not properly approved;
- weatherization measures for contractors whose contracts were not properly approved;
- weatherization measures when the subrecipient did not have documentation of contractor license or insurance; and
- energy audits that were not properly completed.

Weatherization Measures Not Completed or Verified

Based on our file review and site visits, we determined that weatherization coordinators paid contractors for work that was not verified as complete, work which was not completed, and work which was not properly completed. We also found that weatherization coordinators paid contractors for duplicate weatherization measures, duplicate pre-audits, and weatherization measures that exceeded an allowed limit.

Weatherization Measures Not Verified

Based on our file review, we determined that weatherization coordinators at nine subrecipients (Bradley, Chattanooga, East Tennessee, Mid-East, Shelby, South Central, Southeast, Upper Cumberland, and Upper East) approved and paid the weatherization contractors for weatherization measures that were not verified by the post-energy auditor because either the post-energy auditor failed to list the measure to be verified or did not mark the measure as either “pass” or “fail” on the energy audit. We noted that some of the weatherization measures were not verified for 38 of 258 homes (15%).

According to Title 10, *Code of Federal Regulations* (CFR), Part 440.16(g), “No dwelling unit may be reported to DOE as completed until all weatherization materials have been installed and the subgrantee, or its authorized representative, has performed a final inspection(s) including any mechanical work performed and certified that the work has been completed in a workmanlike manner and in accordance with the priority determined by the audit procedures required by §440.21.”

Subsequent to our file review, the Mid-East and Upper Cumberland weatherization coordinators provided documentation stating that the measures were subsequently verified for five homes. However, for the remaining 33 homes, the weatherization coordinators paid \$8,374 for the unverified weatherization measures, resulting in federal questioned costs of \$8,374.

Weatherization Measures Not Verified

Agency	Blount	Bradley	Chattanooga	Clarksville	Delta	East Tennessee	Highland Rim	Knoxville	Merro	Mid-Cumberland	Mid-East	Northwest	Shelby	South Central	Southeast	Southwest	Upper Cumberland	Upper East	Total
# of Files Reviewed	10	10	25	11	10	13	12	11	12	11	12	10	15	25	26	10	25	10	258
# of Deficiencies Noted from File Review	0	3	10	0	0	1	0	0	0	0	2	0	5	3	6	0	5	3	38
# of Deficiencies Subsequently Corrected	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	3	0	5
# of Deficiencies Not Corrected	0	3	10	0	0	1	0	0	0	0	0	0	5	3	6	0	2	3	33
Questioned Costs for File Review	\$0	\$663	\$2,925	\$0	\$0	\$900	\$0	\$0	\$0	\$0	\$0	\$0	\$350	\$543	\$2,396	\$0	\$75	\$522	\$8,374

Weatherization Measures Not Completed Based on Site Visits

Based on our site visits, we determined that the weatherization coordinators at 12 subrecipients (Blount, Chattanooga, Delta, Metro, Mid-Cumberland, Mid-East, Northwest, Shelby, Southeast, Southwest, Upper Cumberland, and Upper East) approved and paid weatherization contractors for weatherization measures that had not been completed. As noted above, 10 CFR, Part 440.16(g), requires all work to be completed in a workmanlike manner.

We found that contractors had not completed weatherization measures for 35 of 99 homes (35%). For example, at Metro we found that a weather strip and door sweep had not been installed. At Shelby, we found that windows had not been glazed and air conditioner units had not been blocked and sealed. At Southeast, we found that duct mastic, which provides appropriate duct sealing for optimal efficiency, had not been sealed to prevent air leakage.

Subsequent to our initial review, the Blount, Delta, Mid-East, Shelby, Southwest, and Upper Cumberland weatherization coordinators provided documentation that the work was later corrected for ten homes. However, for the 25 remaining homes, the weatherization coordinators approved and paid \$5,936 for weatherization measures even though the measures had not been completed, resulting in federal questioned costs of \$5,936.

Weatherization Measures Not Completed Based on Site Visits

<i>Agency</i>	<i>Blount</i>	<i>Bradley</i>	<i>Chattanooga</i>	<i>Clarksville</i>	<i>Delta</i>	<i>East Tennessee</i>	<i>Highland Rim</i>	<i>Knoxville</i>	<i>Metro</i>	<i>Mid-Cumberland</i>	<i>Mid-East</i>	<i>Northwest</i>	<i>Shelby</i>	<i>South Central</i>	<i>Southeast</i>	<i>Southwest</i>	<i>Upper Cumberland</i>	<i>Upper East</i>	<i>Total</i>
# of Site Visits	4	5	6	6	5	6	5	5	6	5	6	5	6	6	6	5	7	5	99
# of Deficiencies Noted from Site Visits	2	0	6	0	4	0	0	0	5	1	2	3	6	0	2	2	1	1	35
# of Deficiencies Subsequently Corrected	2	0	0	0	2	0	0	0	0	0	2	0	1	0	0	2	1	0	10
# of Deficiencies Not Corrected	0	0	6	0	2	0	0	0	5	1	0	3	5	0	2	0	0	1	25
Questioned Costs for Site Visits	\$0	\$0	\$849	\$0	\$236	\$0	\$0	\$0	\$1,214	\$40	\$0	\$1,520	\$1,242	\$0	\$700	\$0	\$0	\$135	\$5,936

Weatherization Measures Not Properly Completed Based on Site Visits

Based on our site visits, we also determined that weatherization coordinators at 10 subrecipients (Blount, Chattanooga, Clarksville, Knoxville, Mid-Cumberland, Mid-East, South Central, Southeast, Upper Cumberland, and Upper East) approved and paid weatherization contractors for weatherization measures that were not properly completed. As noted above, 10 CFR, Part 440.16(g), requires all work to be completed in a workmanlike manner.

We discovered that contractors had not properly completed weatherization measures for 19 of 99 homes (19%). For example, at Mid-East we observed a ceiling repair that was not properly completed. At Chattanooga we observed a water heater that was not properly wrapped.

Subsequent to our initial review, the Clarksville and Mid-East weatherization coordinators provided documentation that the work was later corrected for five homes. However, for the remaining 14 homes, the weatherization coordinators approved and paid \$407 for the weatherization measures even though the measures were not properly completed, resulting in federal questioned costs of \$407.

Weatherization Measures Not Properly Completed

<i>Agency</i>	<i>Blount</i>	<i>Bradley</i>	<i>Chattanooga</i>	<i>Clarksville</i>	<i>Delta</i>	<i>East Tennessee</i>	<i>Highland Rim</i>	<i>Knoxville</i>	<i>Metro</i>	<i>Mid-Cumberland</i>	<i>Mid-East</i>	<i>Northwest</i>	<i>Shelby</i>	<i>South Central</i>	<i>Southeast</i>	<i>Southwest</i>	<i>Upper Cumberland</i>	<i>Upper East</i>	<i>Total</i>
# of Site Visits	4	5	6	6	5	6	5	5	6	5	6	5	6	6	6	5	7	5	99
# of Deficiencies Noted from Site Visits	1	0	1	1	0	0	0	1	0	2	4	0	0	2	5	0	1	1	19
# of Deficiencies Subsequently Corrected	0	0	0	1	0	0	0	0	0	0	4	0	0	0	0	0	0	0	5
# of Deficiencies Not Corrected	1	0	1	0	0	0	0	1	0	2	0	0	0	2	5	0	1	1	14
Questioned Costs for Site Visits	\$100	\$0	\$117	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$100	\$90	\$0	\$0	\$0	\$407

Weatherization Measures Not Completed Based on File Review

Based on our file review, we determined that the weatherization coordinators at three subrecipients (Blount, Bradley, and Mid-Cumberland) approved and paid weatherization contractors for weatherization measures which were not completed. As noted above, 10 CFR, Part 440.16(g), requires all work to be completed in a workmanlike manner. In addition, for lead safe practice, according to WAP ARRA Memorandum 10-20, if the “work consists of only minor repairs or maintenance that disturbs less than 6 square feet of painted surface per interior room or less than 20 square feet of painted surface on the exterior of the home,” the Environmental Protection Agency (EPA) Renovation, Repair and Painting requirements do not apply.

We found that for 4 of 258 files (2%) the weatherization coordinators paid contractors for measures not performed. Based on review of the work orders and contractor invoices, we found that the weatherization coordinators at Blount and Mid-Cumberland paid for lead safety although no measures were added to the home which would have required lead safety and no lead safety work was performed on these homes. At Bradley, the weatherization coordinator paid for two measures which were noted by the post-energy auditor as not needed or not performed. The weatherization coordinators paid contractors \$401 for the measures not performed, resulting in federal questioned costs of \$401.

Weatherization Measures Not Completed Based on File Review

<i>Agency</i>	<i>Blount</i>	<i>Bradley</i>	<i>Chattanooga</i>	<i>Clarksville</i>	<i>Delta</i>	<i>East Tennessee</i>	<i>Highland Rim</i>	<i>Knoxville</i>	<i>Metro</i>	<i>Mid-Cumberland</i>	<i>Mid-East</i>	<i>Northwest</i>	<i>Shelby</i>	<i>South Central</i>	<i>Southeast</i>	<i>Southwest</i>	<i>Upper Cumberland</i>	<i>Upper East</i>	<i>Total</i>
# of Files Reviewed	10	10	25	11	10	13	12	11	12	11	12	10	15	25	26	10	25	10	258
# of Deficiencies Noted from File Review	2	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	4
# of Deficiencies Subsequently Corrected	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
# of Deficiencies Not Corrected	2	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	4
Questioned Costs for File Review	\$200	\$101	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$100	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$401

Duplicate Measures

Based on our file review, we determined that the weatherization coordinators at two subrecipients (Chattanooga and Metro) paid contractors for the same measures listed twice on the contractor's invoice for 2 of 258 files (0.78%). We found that the same measure was listed with different descriptions on the contractor's invoice. The weatherization coordinators paid the contractors \$475 for the extra measures, resulting in federal questioned costs of \$475.

Duplicate Pre-Energy Audit Expenses

Based on our review of the subrecipient general ledgers, we found that the Metro weatherization coordinator approved and paid energy auditors twice for seven pre-energy audits. The energy auditors used different monthly invoices to bill the agency for the duplicate energy audits. The weatherization coordinator failed to identify the duplicate pre-energy audits prior to payment. The cost of each pre-energy audit was \$300, resulting in federal questioned costs of \$2,100.

Unallowable Cost

Based on our file review, we determined that the Southeast weatherization coordinator paid a contractor more than the allowed limit for a measure. According to 10 CFR, Part 440.18 (d), "Allowable expenditures under this part include only: (1) The cost of purchase and delivery of weatherization materials. . . ." For one of 258 files (0.39%), the coordinator paid the contractor for a restock fee which exceeded the allowable amount by \$50. The contractor returned supplies to the store where purchased and the store charged the contractor a restock fee. The contractor billed the agency for the entire stock fee instead of the maximum 10% allowed amount of \$15. This cost is included in the questioned costs related to changes orders not properly approved.

Change Orders Not Properly Approved

Based on our file review, we determined that the weatherization coordinators at seven subrecipients (Bradley, Chattanooga, Clarksville, Northwest, South Central, Southeast, and Upper Cumberland) did not follow the change order procedures when making changes to bids. As a result, contractors were paid for weatherization measures performed but not properly approved because the subrecipients did not follow established change order procedures.

According to the U.S. Department of Energy State Plan/Master File Worksheet, Section III.1.1, “. . . client files shall include the following documentation . . . Written justification for installation of measures not recommended by energy surveys and/or omission(s) of allowable measures recommended on energy surveys. . . .” Furthermore, the WAP ARRA Memorandum 09-28 states, “. . . any change order in excess of \$100 will require the local agency representative to make a visit to the site . . .” for the purpose of determining if the change is necessary to the home.

Based on our file review, we found that change orders were not always properly approved. Of the 258 files reviewed, 120 files contained change orders or should have contained change orders. For 16 of the 120 files (13%), changes to the initial bid were not properly approved. Subsequent to our initial review, the Northwest and Southeast weatherization coordinators provided documentation to show that one change order was subsequently properly approved after we informed them of the problem. However, for the remaining 15 homes, the weatherization coordinators paid contractors \$7,910 for changes which were not properly approved, resulting in federal questioned costs of \$7,910.

Change Orders Not Properly Approved

Agency	Blount	Bradley	Chattanooga	Clarksville	Delta	East Tennessee	Highland Rim	Knoxville	Metro	Mid-Cumberland	Mid-East	Northwest	Shelby	South Central	Southeast	Southwest	Upper Cumberland	Upper East	Total
# of Files Reviewed	10	10	25	11	10	13	12	11	12	11	12	10	15	25	26	10	25	10	258
# of Deficiencies Noted from File Review	0	1	7	1	0	0	0	0	0	0	0	1	0	2	3	0	1	0	16
# of Deficiencies Subsequently Corrected	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1
# of Deficiencies Not Corrected	0	1	7	1	0	0	0	0	0	0	0	0	0	2	3	0	1	0	15
Questioned Costs for File Review	\$0	\$0*	\$2,290	\$0*	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0*	\$5,490	\$0	\$130	\$0	\$7,910

*Change orders removed measures from the job; there was no cost to the agency.

Contracts with Contractors Not Properly Approved

Based on our file review, we determined that the weatherization coordinators at six subrecipients (Chattanooga, Highland Rim, Metro, Mid-Cumberland, Northwest, and Upper East) allowed weatherization work to be performed on homes by contractors and energy auditors who did not have properly approved contracts. According to the Grant Contract Between the State of Tennessee Department of Human Services and the subrecipients, Section A.17, “The Grantee shall utilize a State-approved document when contracting with a weatherization installer.”

In our review, we found that for 31 of 258 files (12%) the contracts with contractors and energy auditors were not approved; specifically, we found that

- for 11 of 258 files (4%), the weatherization coordinator did not ensure that the contracts with six contractors were approved before weatherization work was performed or paid for; and
- for 20 of 258 files (3%), the weatherization coordinator did not ensure that contracts with six energy auditors were approved before payments were made.

Subsequent to our initial review, the Highland Rim, Northwest, and Upper East weatherization coordinators provided documentation that the six contracts with the contractors were later properly approved for the 11 files. The Northwest weatherization coordinator provided documentation that two pre-energy auditor contracts were later properly approved representing seven of the 20 files. However, the Chattanooga, Mid-Cumberland, Metro, and Upper East weatherization coordinators paid four energy auditors \$2,800 for energy audits without an approved contract with the energy auditor representing the 13 remaining files. Total federal questioned costs are \$2,800.

Contracts with Contractors Not Properly Approved

Agency	Blount	Bradley	Chattanooga	Clarksville	Delta	East Tennessee	Highland Rim	Knoxville	Metro	Mid-Cumberland	Mid-East	Northwest	Shelby	South Central	Southeast	Southwest	Upper Cumberland	Upper East	Total
# of Files Reviewed	10	10	25	11	10	13	12	11	12	11	12	10	15	25	26	10	25	10	258
# of Deficiencies Noted with the WAP contractor	0	0	0	0	0	0	3	0	0	0	0	7	0	0	0	0	1	11	
Files where the contract was with the energy auditor	0	0	8	0	0	0	0	0	1	3	0	7	0	0	0	0	1	20	
Total Deficiencies Noted from File Review	0	0	8	0	0	0	3	0	1	3	0	14	0	0	0	0	2	31	
# WAP Contractor Deficiencies Subsequently Corrected	0	0	0	0	0	0	3	0	0	0	0	7	0	0	0	0	1	11	
Final Contractor Questioned Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
# of Energy Audit Deficiencies Subsequently Corrected	0	0	0	0	0	0	0	0	0	0	0	7	0	0	0	0	0	7	
# of Deficiencies Not Corrected	0	0	8	0	0	0	0	0	1	3	0	0	0	0	0	0	1	13	
Final energy audit questioned costs	\$0	\$0	\$1,800	\$0	\$0	\$0	\$0	\$0	\$300	\$700	\$0	\$0	\$0	\$0	\$0	\$0	\$0*	\$2,800	

*Questioned Costs were included in another section of finding.

Contractor Licenses Not in File

Based on our file review, we found that the weatherization coordinators at two subrecipients (Mid-Cumberland and Northwest) allowed homes to be weatherized without obtaining documentation to show that the work was completed by a licensed contractor. According to WAP ARRA Memorandum 09-24, “The purpose of this memorandum is to clarify the requirement that all contractors who install weatherization measures under the WAP program must be either a licensed general contractor or a licensed home improvement contractor recognized in the State of Tennessee. . .” We found that the weatherization coordinators did not ensure there was documentation to show the contractors were licensed for 3 of 258 files tested (1%). Subsequent to our initial review, the Mid-Cumberland and Northwest weatherization coordinators provided documentation that the contractors were licensed; therefore, we did not question any costs.

Contractor Licenses Not in File

<i>Agency</i>	<i>Blount</i>	<i>Bradley</i>	<i>Chattanooga</i>	<i>Clarksville</i>	<i>Delta</i>	<i>East Tennessee</i>	<i>Highland Rim</i>	<i>Knoxville</i>	<i>Metro</i>	<i>Mid-Cumberland</i>	<i>Mid-East</i>	<i>Northwest</i>	<i>Shelby</i>	<i>South Central</i>	<i>South East</i>	<i>Southwest</i>	<i>Upper Cumberland</i>	<i>Upper East</i>	<i>Total</i>
# of Files Reviewed	10	10	25	11	10	13	12	11	12	11	12	10	15	25	26	10	25	10	258
# of Deficiencies Noted from File Review	0	0	0	0	0	0	0	0	0	2	0	1	0	0	0	0	0	0	3
# of Deficiencies Subsequently Corrected	0	0	0	0	0	0	0	0	0	2	0	1	0	0	0	0	0	0	3
# of Deficiencies Not Corrected	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Questioned Costs for File Review	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Contractors' Insurance Not In File

Based on our file review, we found that the weatherization coordinators at three subrecipients (Mid-Cumberland, Northwest, and Shelby) did not ensure that the weatherization contractors had documentation of contractors' insurance. According to the Agreement for Contracting Weatherization Work between subrecipients and the contractors, "The Contractor shall purchase and maintain liability insurance in the amount that will protect against claims which may arise out of or result from the Contractor's operations under this Contract. The Contractor shall, upon request from the Agency, provide documentation of current and valid insurance."

We found that the weatherization coordinators did not ensure that there was documentation of contractors' insurance for 13 of 258 files tested (5%). Subsequent to our initial review, the Mid-Cumberland and Northwest weatherization coordinators provided documentation of proof of insurance for contractors who performed work on eight jobs. For the remaining five files, the weatherization coordinators did not provide documentation of proof of insurance. Since the insurance requirement is a DHS and subrecipient requirement and not a federal requirement, we did not question any costs.

Contractors' Insurance Not In File

<i>Agency</i>	<i>Blount</i>	<i>Bradley</i>	<i>Chattanooga</i>	<i>Clarksville</i>	<i>Delta</i>	<i>East Tennessee</i>	<i>Highland Rim</i>	<i>Knoxville</i>	<i>Metro</i>	<i>Mid-Cumberland</i>	<i>Mid-East</i>	<i>Northwest</i>	<i>Shelby</i>	<i>South Central</i>	<i>Southeast</i>	<i>Southwest</i>	<i>Upper Cumberland</i>	<i>Upper East</i>	<i>Total</i>
# of Files Reviewed	10	10	25	11	10	13	12	11	12	11	12	10	15	25	26	10	25	10	258
# of Deficiencies Noted from File Review	0	0	0	0	0	0	0	0	0	7	0	1	5	0	0	0	0	0	13
# of Deficiencies Subsequently Corrected	0	0	0	0	0	0	0	0	0	7	0	1	0	0	0	0	0	0	8
# of Deficiencies Not Corrected	0	0	0	0	0	0	0	0	0	0	0	0	5	0	0	0	0	0	5
Questioned Costs for File Review	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Energy Audits Not Properly Completed

Based on our file review and site visits, we found that pre- and post-energy audits were not properly completed because the energy auditor failed to note if the weatherization measures were passed or failed on the post-audit form, and energy auditors did not sign the post-energy audit form certifying that the work was performed. We also found that an energy auditor was not properly trained, an individual was not identified as the energy auditor who performed the work, and an individual performing the audit was not a certified energy auditor.

Post-Energy Audits Not Properly Performed Based on File Review

Based on our file review, we determined that the energy auditors at nine subrecipients (Bradley, Chattanooga, Delta, East Tennessee, Mid-East, South Central, Southeast, Upper Cumberland, and Upper East) did not properly complete the post-energy audits. The Grant Contract between the State of Tennessee Department of Human Services and the Subrecipient A.18 states, "The Grantee shall only pay the weatherization installer following a satisfactory post-energy audit of the dwelling."

We found that the energy auditors did not verify that weatherization measures invoiced by the weatherization contractors were installed for 33 of 258 files reviewed (13%), and the weatherization coordinators did not ensure that the energy auditors verified all of the measures were properly installed. Therefore, the coordinators paid \$3,444 to energy auditors for instances in which they did not verify the measures were installed on the homes, resulting in federal questioned costs of \$3,444.

Post-Energy Audits Not Properly Performed Based on File Review

Agency	Blount	Bradley	Chattanooga	Clarksville	Delta	East Tennessee	Highland Rim	Knoxville	Metro	Mid-Cumberland	Mid-East	Northwest	Shelby	South Central	Southeast	Southwest	Upper Cumberland	Upper East	Total
# of Files Reviewed	10	10	25	11	10	13	12	11	12	11	12	10	15	25	26	10	25	10	258
# of Deficiencies Noted from File Review	0	2	10	0	1	1	0	0	0	0	2	0	0	3	6	0	5	3	33
# of Deficiencies Subsequently Corrected	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
# of Deficiencies Not Corrected	0	2	10	0	1	1	0	0	0	0	2	0	0	3	6	0	5	3	33
Questioned Costs for File Review	\$0	\$400	\$800	\$0	\$0*	\$103	\$0	\$0	\$0	\$0	\$29	\$0	\$0	\$189	\$1,200	\$0	\$497	\$226	\$3,444

*Questioned Costs were included in another section of finding.

Energy Auditor Did Not Certify Post-Energy Audit

Based on our file review, we determined that energy auditors at two subrecipients (Chattanooga and Metro) did not properly complete the post-energy audits when they failed to certify that the work was performed. The Grant Contract between the State of Tennessee Department of Human Services and the Subrecipient A.18 states, “The Grantee shall only pay the weatherization installer following a satisfactory post-energy audit of the dwelling.”

We found that the energy auditors did not certify the post-energy audits for 5 of 258 files reviewed (2%). The energy auditor is required sign the post-audit form to certify the audit attesting that the weatherization work was inspected and approved. The weatherization coordinators paid \$800 for post-energy audits that were not certified, resulting in federal questioned costs of \$800.

Energy Auditors Did Not Certify Post-Energy Audits

<i>Agency</i>	<i>Blount</i>	<i>Bradley</i>	<i>Chattanooga</i>	<i>Clarksville</i>	<i>Delta</i>	<i>East Tennessee</i>	<i>Highland Rim</i>	<i>Knoxville</i>	<i>Metro</i>	<i>Mid-Cumberland</i>	<i>Mid-East</i>	<i>Northwest</i>	<i>Shelby</i>	<i>South Central</i>	<i>Southeast</i>	<i>Southwest</i>	<i>Upper Cumberland</i>	<i>Upper East</i>	<i>Total</i>
# of Files Reviewed	10	10	25	11	10	13	12	11	12	11	12	10	15	25	26	10	25	10	258
# of Deficiencies Noted from File Review	0	0	3	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	5
# of Deficiencies Subsequently Corrected	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
# of Deficiencies Not Corrected	0	0	3	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	5
Questioned Costs for File Review	\$0	\$0	\$400	\$0	\$0	\$0	\$0	\$0	\$400	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$800

Post-Energy Audits Not Properly Performed Based on Site Visits

Based on our site visits, we determined that the energy auditors at 14 subrecipients (Blount, Chattanooga, Clarksville, Delta, Metro, Mid-Cumberland, Mid-East, Northwest, Shelby, South Central, Southeast, Southwest, Upper Cumberland, and Upper East) did not properly complete the post-energy audits. The Grant Contract between the State of Tennessee Department of Human Services and the Subrecipient A.18 states, “The Grantee shall only pay the weatherization installer following a satisfactory post-energy audit of the dwelling.”

We found that the energy auditors did not verify that weatherization measures invoiced by the weatherization contractors were installed or properly installed in 39 of 99 site visits (39%). Therefore, the weatherization coordinators paid energy auditors \$6,018 for post-energy audits in which they did not verify the measures installed on the homes, resulting in federal questioned costs of \$6,018.

Post-Energy Audits Not Properly Performed Based on Site Visits

<i>Agency</i>	<i>Blount</i>	<i>Bradley</i>	<i>Chattanooga</i>	<i>Clarksville</i>	<i>Delta</i>	<i>East Tennessee</i>	<i>Highland Rim</i>	<i>Knoxville</i>	<i>Metro</i>	<i>Mid-Cumberland</i>	<i>Mid-East</i>	<i>Northwest</i>	<i>Shelby</i>	<i>South Central</i>	<i>Southeast</i>	<i>Southwest</i>	<i>Upper Cumberland</i>	<i>Upper East</i>	<i>Total</i>
# of Site Visits	4	5	6	6	5	6	5	5	6	5	6	5	6	6	6	5	7	5	99
# of Deficiencies Noted from Site Visits	3	0	6	1	3	0	0	0	3	2	4	3	3	1	4	2	3	1	39
# of Deficiencies Subsequently Corrected	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
# of Deficiencies Not Corrected	3	0	6	1	3	0	0	0	3	2	4	3	3	1	4	2	3	1	39
Questioned Costs for Site Visits	\$600	\$0	\$800	\$200	\$600	\$0	\$0	\$0	\$600	\$400	\$255	\$600	\$600	\$200	\$600	\$164	\$199	\$200	\$6,018

Energy Auditor Was Not Properly Trained

Based on our file review, we determined that the weatherization coordinator at one subrecipient (Mid-Cumberland) did not ensure that an energy auditor was properly trained. According to The Grant Contract between the State of Tennessee Department of Human Services and the Subrecipient, Section A, part 11, “The Grantee [Subrecipient] shall be responsible for ensuring that all energy auditors and weatherization installers have either a TVA-issued [Tennessee Valley Authority] certificate or other State approved weatherization training document.” DHS allowed subrecipients to approve energy auditors for the weatherization program who had prior experience in the program in lieu of them obtaining training.

We found that the individual who performed pre- and post-energy audits on 7 of 258 files reviewed (3%) did not have prior weatherization experience and did not receive training to become a certified energy auditor. The weatherization coordinator paid the individual \$1,000 for these audits, resulting in federal questioned costs of \$1,000.

Energy Auditor Not Identified

Based on our file review, we found that the Chattanooga weatherization coordinator did not ensure that an energy auditor or authorized individual was properly identified as the pre-energy auditor so proper certification and training could be assured. According to The Grant Contract between the State of Tennessee Department of Human Services and the Subrecipient, Section A, part 11, “The Grantee [Subrecipient] shall be responsible for ensuring that all energy auditors and weatherization installers have either a TVA-issued [Tennessee Valley Authority] certificate or other State approved weatherization training document.”

We found that the energy auditor who performed a pre-energy audit was not identified for one of 258 files (0.39%) and thus, could not be verified as a certified or trained energy auditor. The weatherization coordinator paid \$300 for an audit in which the auditor was not identified, resulting in federal questioned costs of \$300.

Certified Energy Auditor Improperly Delegated Audit Responsibilities to His Wife

Based on our inquiry and discussion with the subrecipients, we were informed that at Metro, a certified post-energy auditor delegated his energy audit responsibilities to his wife who was not authorized to perform energy audits. Based on our discussion with the Metro weatherization coordinator, the contracted energy auditor allowed his wife to perform at least six energy audits. The weatherization coordinator paid \$1,200 for these energy audits the unauthorized individual performed, resulting in federal questioned costs of \$1,200.

Summary of Questioned Costs

Deficiency	Amount Questioned
Weatherization Measures Not Verified	\$8,374
Weatherization Measures Not Completed Based on Site Visits	5,936
Weatherization Measures Not Properly Completed	407
Weatherization Measures Not Completed Based on File Review	401
Duplicate Measures	475
Duplicate Pre-Energy Audit Expenses	2,100
Unallowable Cost	0
Change Orders Not Properly Approved	7,910
Contracts with Contractors Not Properly Approved	2,800
Contractor Licenses Not in File	0
Contractors' Insurance Not In File	0
Post-Energy Audits Not Properly Performed Based on File Review	3,444
Energy Auditor Did not Certify Post-Energy Audit	800
Post-Energy Audits Not Properly Performed Based on Site Visits	6,018
Energy Auditor Was Not Properly Trained	1,000
Auditor Not Identified	300
Certified Energy Auditor Improperly Delegated Audit Responsibilities to His Wife	<u>1,200</u>
Total questioned costs	\$41,165

Our testwork included a review of 258 client files, representing \$1,058,578 of home weatherization costs, and our 99 of 258 home site visits, representing \$442,861 of home weatherization costs, from a total population of \$43,746,923. Based on the results of our original sample testwork, we questioned costs totaling \$89,196. Based on our inquiry and additional nonsample testwork, we questioned costs totaling \$3,300. Subsequent to our testwork, DHS and subrecipients' management began addressing the deficiencies, and in some cases, the deficiencies were corrected. In instances where we could verify the corrective action, we adjusted the original questioned costs to arrive at the final total federal questioned costs for the activities allowed or unallowed/allowable costs errors noted of \$41,165.

Management has not identified and assessed the risk associated with the activities which are noted above in its risk assessment.

Recommendation

The Department of Human Services is responsible for administering the Weatherization Program. Given the large number of homes weatherized through the American Recovery and Reinvestment Act of 2009 (ARRA) and non-ARRA funding, the Commissioner and department management must rely on all parties involved in the weatherization process to perform their responsibilities in accordance with contract terms and federal regulations. It is critical that those

individuals charged with the responsibility for reviewing invoices and approving payments to weatherization contractors and energy auditors realize that there are real consequences for failure to meet their obligations.

Because the Commissioner and department management must rely on subrecipients to carry out the program, and due to the ongoing potential for risks of noncompliance, fraud, waste, and abuse in the program, it is imperative that management continue to carefully monitor the work performed by subrecipients. The department should use the knowledge gained from these monitoring efforts to identify and mitigate these and other risks promptly.

Specifically, DHS management should ensure that

- weatherization coordinators ensure that the energy auditors verify that all measures are properly completed;
- weatherization coordinators ensure that duplicate measures are not invoiced and paid;
- weatherization coordinators ensure that duplicate payments do not occur;
- weatherization coordinators do not pay weatherization contractors for amounts that exceed allowed limits;
- weatherization coordinators ensure all changes to the initial bid are properly approved;
- weatherization coordinators ensure all contracts with contractors and contract energy auditors are properly approved; and
- weatherization coordinators ensure all post-energy audits are properly conducted by ensuring the energy auditors verify all measures invoiced by the contractors, the energy auditor certifies the audit to be complete, the energy auditor obtains the required certification or training, and the approved energy auditor performs the audit.

Failure to comply with the federal regulations may cause the state to lose federal funding.

Management's Comment

We concur in part. As noted in the prior audit, the Department has developed processes and procedures in place to prevent, detect and correct issues created by the immediate multi-million dollar increase in funding received as a result of the American Recovery & Reinvestment Act of 2009 (ARRA). Also as noted last year, as well as this year, this program is directly administered by 18 different sub-recipients across the state.

It is important to note the Department has already questioned all of the identified questioned costs in the finding to the individual sub-recipient responsible for the error. While we would prefer to have no questioned costs, it is indicative of the processes put into place after last year's audit that we have decreased questioned costs assessed by over 55%. In order to provide context, it is important also to note that the stated questioned costs of \$41,165 represent 3.9% of the jobs reviewed.

The Department's response to last year's findings clearly demonstrates our processes are improving from the zero findings in nine different areas that had findings in the prior year, in addition to the decreases mentioned above. Our responses to the specific sections are detailed below.

Weatherization Measures Not Verified

We agree that 33 homes had unverified measures for \$8,374.00; however the percentages cited do not provide the entire context. There were 2,014 measures installed on the 258 homes reviewed at a total cost of \$1,058,577. The actual percentages are 1.6% of the measures were not properly verified with a dollar percentage of 0.8%. It is also important to note that all of these dollars already have been or will be recouped.

Weatherization Measures Not Completed Based on Site Visits

We agree with the determination that 35 of the 99 inspections were not complete; however the percentages cited do not provide the appropriate context for the finding. There were 868 measures installed on the 99 homes reviewed at a total cost of \$442,861. We agree that every measure should be installed and installed correctly, but to put the finding in context, the failure rate should be calculated on the total measures and dollar cost of the measures in the sample size. The actual percentage of failed measures is 3.8%, which equates to 1.9% of the dollars for this category. It is also important to note that all of these dollars already have been or will be recouped.

Weatherization Measures Not Properly Completed Based on Site Visits

We agree with the determination that 9 of the 99 inspections were not properly complete; however the percentages cited do not provide the appropriate context for the finding. There were 868 measures installed on the 99 homes reviewed at a total cost of \$442,861. We agree that every measure should be installed and installed correctly, but to put the finding in its proper context, the failure rate should be calculated on the total measures and dollar cost for those measures. The actual percentage of improperly complete measures is 1.0%, which equates to 0.09% of the dollars for this category. It is also important to note that all of these dollars already have been or will be recouped.

Weatherization Measures Not Completed Based on File Review

We agree with the determination that 4 of the 258 inspections were not completed; however the percentages cited do not provide the appropriate context for the finding. There were 2,014 measures installed on the 258 homes reviewed at a total cost of \$1,058,577. We agree that every measure should be installed and installed correctly, but to put the finding in its proper context, the failure rate should be calculated on the total measures and dollar cost for those measures. The actual percentage of failed measures is 0.2%, which equates to 0.04% of the dollars for this category. It is also important to note that all of these dollars already have been or will be recouped.

Duplicate Measures

We agree with the determination that 2 of the 258 file reviews contained duplicate measures; however the percentages cited do not provide the appropriate context for the finding. There were 2,014 measures installed on the 258 homes reviewed at a total cost of \$1,058,577. We agree that every measure should be installed and installed correctly, but to put the finding in its proper context, the failure rate should be calculated on the total measures and dollar cost for those measures. The actual percentage of failed measures is 0.1%, which equates to 0.4% of the dollars for this category. It is also important to note that all of these dollars already have been or will be recouped.

Duplicate Pre-Energy Audit Expenses

We already have or will have recouped this money. For context, Metro Housing Development Agency completed 950 energy audits during the audit period so the 7 cited represent 0.7% of the audits completed by Metro during the period, or 0.2% of the dollars of the sample size.

Unallowable Cost

This finding represents 0.0014% of the dollars represented in the sample size. This clearly shows the Department's processes are working.

Change Orders Not Properly Approved

We agree that 15 change orders, 5.8% of the sample size, were not properly documented. It is also important to note that all of these dollars, representing 0.75% of the sample size, already have been or will be recouped.

Contracts with Contractors Not Properly Approved

While we agree all contracts should be properly approved, the report states 18 contracts were approved so the unapproved percentage is 5%. The percentage of unapproved contracts on a dollar basis is 0.26%.

Contractor Licenses Not in File

The auditor notes the subrecipients provided documentation to show all contractors were licensed in compliance with program policy. We are unable to determine from the finding what policy required the license to be in the file.

Contractors' Insurance Not in File

The auditor noted the subrecipients provide documentation to show only 5 contractors did not have the required insurance, which equates to 1.94%. The contract provision cited states:

insurance should be provided upon request (emphasis supplied). The subrecipients provided the proof of insurance in 62% of the cited jobs.

Post-Energy Audits Not Properly Performed Based on File Review

We agree the post-energy auditor in 33 of the reviewed files did not verify all of the measures (which averaged 7.81 measures per house on the file review sample). The \$3,444 in questioned costs which has already been or will be recouped represents 0.33% of the dollars in the sample.

Energy Auditor Did Not Certify Post-Energy Audit

We agree they failed to certify the form, which resulted in questioned costs of 0.08% of the total reviewed. These questioned costs have already been or will be recouped.

Post-Energy Audits Not Properly Performed Based on Site Visits

It is not known how many of the 868 measures installed were not properly verified, but we agree that there were too many improperly verified jobs. We also note that all of the \$6,018, which represents 1.4% of the dollars in the sample size, has already been or will be recouped.

Energy Auditor Was Not Properly Trained

We agree an unapproved auditor performed work which resulted in questioned costs on a percentage basis of 0.09%, which has already been or will be recouped. We note, as does the auditor, the person did have experience in the weatherization program.

Auditor Not Identified

We agree and note also, for context, that \$300 equates to 0.03% of the dollars reviewed. We also note the \$300 has already been or will be recouped.

Certified Energy Auditor Improperly Delegated Audit Responsibilities to his Wife

We have recouped the 0.11% of the represented questioned costs and note that Metro performed 925 audits in the review year. We also note that it appears the subrecipient reported this condition to the auditor.

Finding Number	11-DHS-02
CFDA Number	81.042
Program Name	Weatherization Assistance for Low-Income Persons
Federal Agency	Department of Energy
State Agency	Department of Human Services
Grant/Contract No.	DE-FG26-07NT43135 DE-EE0000114
Federal Award Year	2009 through 2012
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	\$60,975

As noted in the prior audit, the Department of Human Services did not ensure that the subrecipients accurately determined eligibility and maintained adequate eligibility documentation for the Weatherization Assistance for Low-Income Persons program, which resulted in federal questioned costs of \$60,975 for the fiscal year ended June 30, 2011

Finding

As noted in the prior audit, the Department of Human Services (DHS) and its subrecipients again did not accurately determine eligibility for applicants or for dwellings in the state's Weatherization Assistance for Low-Income Persons (WAP) program and did not maintain adequate eligibility documentation, resulting in federal questioned costs of \$60,975 for the fiscal year ended June 30, 2011.

In the prior audit, we noted the following problems:

- an applicant was not income eligible based on the federal poverty guidelines,
- dwellings were not eligible,
- home ownership was not established,
- homeowner written permission was not obtained,
- income documentation was not obtained or maintained, and
- re-weatherization determination procedures were inadequate.

During the fiscal year ended June 30, 2011, we found applicants were income eligible based on the federal poverty guidelines and homeownership was established. We also determined that procedures for determining re-weatherization were adequate and in place. However, the remaining issues were repeated for the fiscal year ended June 30, 2011.

In response to the prior audit finding, management did not concur and stated in part:

The Department of Human Services has developed a transparent and accountable weatherization program designed to adapt to the multi-million dollar increase in funding that was received as a result of the American Recovery and Reinvestment Act of 2009 (ARRA). We agree the Subrecipients responsible for the direct

administration of the program have not always appropriately maintained adequate eligibility documentation.

In the prior audit finding follow-up report, which DHS management sent to the Division of State Audit, management stated in part:

The Department has and will continue to provide proper oversight of the weatherization program. This includes continued quarterly monitoring visits and ensuring that all payments are allowable, reasonable, all pre and post energy audits are properly performed and documented and all work is completed by certified energy auditors and properly licensed contractors and all change orders in excess of \$100 are properly approved, including site visits. We have adjusted procedures and processes to ensure the subrecipients are following the Department of Energy and DHS policies as well as state contractual requirements.

DHS was awarded \$102 million from the United States Department of Energy (DOE) for the WAP program and was responsible for administering the program in coordination with 18 subrecipients, which are listed below. See finding 11-DHS-01 for an overview of the weatherization process and specific roles and responsibilities.

DHS Weatherization Subrecipients

- Blount County Community Action Agency (Blount)
- Bradley-Cleveland Community Services Agency (Bradley)
- Chattanooga Neighborhood Enterprise, Inc. (Chattanooga)
- Clarksville-Montgomery County Community Action Agency (Clarksville)
- Delta Human Resource Agency (Delta)
- East Tennessee Human Resource Agency (East Tennessee)
- Highland Rim Economic Corporation (Highland Rim)
- Knoxville-Knox County Community Action Committee (Knoxville)
- Metropolitan Development and Housing Agency (Metro)
- Mid-Cumberland Community Action Agency (Mid-Cumberland)
- Mid-East Community Action Agency (Mid-East)
- Northwest Tennessee Economic Development Council (Northwest)
- Shelby County Community Services Agency (Shelby)
- South Central Human Resource Agency (South Central)
- Southeast Tennessee Human Resource Agency (Southeast)
- Southwest Human Resource Agency (Southwest)
- Upper Cumberland Human Resource Agency (Upper Cumberland)
- Upper East Tennessee Human Development Agency (Upper East)

To determine the compliance of DHS and the 18 subrecipients with WAP federal eligibility requirements, we reviewed 258 client files, and we visited 99 of the 258 weatherized homes. Our samples were selected from a population of 11,886 weatherized homes. Based on our review of the client files and site visits, we found the following eligibility deficiencies.

Eligibility Re-certifications Not Performed

Based on our file reviews, we determined that the weatherization coordinators at four subrecipients (Mid-Cumberland, Mid-East, Southeast, and Upper East) did not ensure that the required eligibility re-certifications were performed. According to the U.S. Department of Energy State Plan/Master File Worksheet, “**Procedures to determine that units weatherized have eligibility documentation:** client files shall include the following documentation: . . . 3. Date of re-certification (completed every 12 months). . .” The U.S. Department of Energy State Plan/Master File Worksheet is prepared by DHS and includes DHS’ internal policies and processes it will use to carry out the federal program. The State Plan/Master File Worksheet is submitted to DOE who approves the plan prior to awarding weatherization funds.

Based on our testwork, we found that the weatherization coordinators did not perform re-certifications for 6 of 258 files tested (2%). Subsequent to our initial review, the Mid-Cumberland, Mid-East, Southeast, and Upper East weatherization coordinators provided documentation that five homes were income eligible based on re-certification at the time the work was performed. However, for the one remaining home, the weatherization coordinator paid \$860 for work on a home for which the re-certification was not performed, resulting in federal questioned costs of \$860.

Eligibility Re-certifications Not Performed

<i>Agency</i>	<i>Blount</i>	<i>Bradley</i>	<i>Chattanooga</i>	<i>Clarksville</i>	<i>Delta</i>	<i>East Tennessee</i>	<i>Highland Rim</i>	<i>Knoxville</i>	<i>Metro</i>	<i>Mid-Cumberland</i>	<i>Mid-East</i>	<i>Northwest</i>	<i>Shelby</i>	<i>South Central</i>	<i>Southeast</i>	<i>Southwest</i>	<i>Upper Cumberland</i>	<i>Upper East</i>	<i>Total</i>
# of Files Reviewed	10	10	25	11	10	13	12	11	12	11	12	10	15	25	26	10	25	10	258
# of Deficiencies Noted from File Review	0	0	0	0	0	0	0	0	0	2	1	0	0	0	1	0	0	2	6
# of Deficiencies Subsequently Corrected	0	0	0	0	0	0	0	0	0	2	1	0	0	0	1	0	0	1	5
# of Deficiencies Not Corrected	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1
Questioned Costs for File Review	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$860	\$860

Lack of Income Eligibility Documentation

Based on our file reviews, we determined that the weatherization coordinators at four subrecipients (Clarksville, Mid-Cumberland, South Central, and Southeast) did not ensure that there was documentation of the clients’ income. According to the U.S. Department of Energy State Plan/Master File Worksheet, “**Procedures to determine that units weatherized have eligibility documentation:** client files shall include the following documentation . . . 4. Income eligibility documentation, and if required, a Statement of Support form . . .”

We found that the weatherization coordinators allowed 4 of 258 weatherized homes (2%) to be weatherized without obtaining income documentation. Examples of income documentation we looked for in the client files include, but are not limited to, client check stubs, client tax returns, or screen prints from the Automated Client Certification and Eligibility Network for Tennessee (ACCENT). Subsequent to our initial review, the Southeast weatherization coordinator provided income documentation for one client whose home was weatherized. The Clarksville, Mid-Cumberland, and South Central weatherization coordinators paid \$10,485 to weatherize three homes for which client income eligibility was not documented, resulting in federal questioned costs of \$16,151.

Lack of Income Eligibility Documentation

<i>Agency</i>	<i>Blount</i>	<i>Bradley</i>	<i>Chattanooga</i>	<i>Clarksville</i>	<i>Delta</i>	<i>East Tennessee</i>	<i>Highland Rim</i>	<i>Knoxville</i>	<i>Metro</i>	<i>Mid-Cumberland</i>	<i>Mid-East</i>	<i>Northwest</i>	<i>Shelby</i>	<i>South Central</i>	<i>Southeast</i>	<i>Southwest</i>	<i>Upper Cumberland</i>	<i>Upper East</i>	<i>Total</i>
# of Files Reviewed	10	10	25	11	10	13	12	11	12	11	12	10	15	25	26	10	25	10	258
# of Deficiencies Noted from File Review	0	0	0	1	0	0	0	0	0	1	0	0	0	1	1	0	0	0	4
# of Deficiencies Subsequently Corrected	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1
# of Deficiencies Not Corrected	0	0	0	1	0	0	0	0	0	1	0	0	0	1	0	0	0	0	3
Questioned Costs for File Review	\$0	\$0	\$0	\$7,585	\$0	\$0	\$0	\$0	\$0	\$2,900	\$0	\$0	\$0	\$5,666	\$0	\$0	\$0	\$0	\$16,151

Lack of Documentation of Homeowner's Permission

Based on our file review, we determined that the weatherization coordinators at three subrecipients (Highland Rim, Mid-Cumberland, and Northwest) did not ensure that written permission was obtained from the owner of the dwelling or his/her agent to weatherize the dwelling. According to the U.S. Department of Energy State Plan/Master File Worksheet, **“Procedures to determine that units weatherized have eligibility documentation:** client files shall include the following documentation: . . . 12. Release of Information and Homeowner/Authorized Agent Certification Form . . .”

We found that 3 of 258 weatherized home files (1%) did not have documentation showing written permission was obtained from the owner of the dwelling prior to the home being weatherized. Subsequent to our initial review, the Northwest weatherization coordinator provided documentation that one of the homeowners had granted permission for the dwelling to be weatherized. However, the Highland Rim and Mid-Cumberland weatherization coordinators paid \$10,430 to weatherize the remaining two homes for which the owner's permission was not documented, resulting in questioned costs of \$10,430.

Lack of Documentation of Homeowner's Permission

<i>Agency</i>	<i>Blount</i>	<i>Bradley</i>	<i>Chattanooga</i>	<i>Clarksville</i>	<i>Delta</i>	<i>East Tennessee</i>	<i>Highland Rim</i>	<i>Knoxville</i>	<i>Metro</i>	<i>Mid-Cumberland</i>	<i>Mid-East</i>	<i>Northwest</i>	<i>Shelby</i>	<i>South Central</i>	<i>Southeast</i>	<i>Southwest</i>	<i>Upper Cumberland</i>	<i>Upper East</i>	<i>Total</i>
# of Files Reviewed	10	10	25	11	10	13	12	11	12	11	12	10	15	25	26	10	25	10	258
# of Deficiencies Noted from File Review	0	0	0	0	0	0	1	0	0	1	0	1	0	0	0	0	0	0	3
# of Deficiencies Subsequently Corrected	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	1
# of Deficiencies Not Corrected	0	0	0	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	2
Questioned Costs for File Review	\$0	\$0	\$0	\$0	\$0	\$0	\$6,095	\$0	\$0	\$4,335	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,430

Multi-Unit Dwellings Ineligible

Based on our file review, we determined that the weatherization coordinators at three subrecipients (Bradley, Mid-Cumberland, and Shelby) approved and paid weatherization contractors to weatherize multi-unit dwellings which were not eligible to receive weatherization.

According to Title 10, *Code of Federal Regulations*, Part 440, Section 22 (b), “A subgrantee may weatherize a building containing rental dwelling units using financial assistance for dwelling units eligible for weatherization assistance under paragraph (a) of this section, where: (1) The subgrantee has obtained the written permission of the owner or his agent; (2) Not less than 66 percent (50 percent for duplexes and four-unit buildings, and certain eligible types of large multi-family buildings) of the dwelling units in the building: (i) Are eligible dwelling units, or (ii) Will become eligible dwelling units within 180 days under a Federal, State, or local government program for rehabilitating the building or making similar improvements to the building . . .”

According to the U.S. Department of Energy State Plan/Master File Worksheet, “. . . before a two (2) to four (4) unit building may be weatherized, fifty (50%) percent of the dwelling units in the building must be eligible dwelling units, or will become eligible within 180 days under a Federal, State or local government program for rehabilitating the building or making similar improvements to the building.”

For 3 of 258 files reviewed (1%), we found that the weatherization coordinators allowed weatherization work to be performed for dwellings that exceeded the four-unit dwelling limit or the building weatherized was a four-unit dwelling and half the dwellings were not eligible. The weatherization coordinators paid \$7,800 for these dwellings to be weatherized, resulting in federal questioned costs of \$7,800.

In addition to our file review, and based on our review of the subrecipients' general ledger, we determined that the weatherization coordinators at two subrecipients (Metro and

Shelby) approved and paid for weatherization contractors to weatherize multi-unit dwellings which were not eligible to receive weatherization. While verifying the completeness of the population of the weatherized homes at Metro and Shelby for the fiscal year 2011, we noted that some of the weatherized dwellings appeared to be multi-unit apartments. Upon further review of the data, we sought to determine the multi-unit dwellings' location and the number of units in each building. We found that Metro weatherized at least seven multi-unit dwellings and Shelby weatherized at least three multi-unit dwellings that exceeded the four-unit maximum. The Metro and Shelby weatherization coordinators paid \$25,734 for these ten dwellings, resulting in federal questioned costs of \$25,734.

Multi-Unit Dwellings Ineligible

<i>Agency</i>	<i>Blount</i>	<i>Bradley</i>	<i>Chattanooga</i>	<i>Clarksville</i>	<i>Delta</i>	<i>East Tennessee</i>	<i>Highland Rim</i>	<i>Knoxville</i>	<i>Metro</i>	<i>Mid-Cumberland</i>	<i>Mid-East</i>	<i>Northwest</i>	<i>Shelby</i>	<i>South Central</i>	<i>Southeast</i>	<i>Southwest</i>	<i>Upper Cumberland</i>	<i>Upper East</i>	<i>Total</i>
# of Files Reviewed	10	10	25	11	10	13	12	11	12	11	12	10	15	25	26	10	25	10	258
# of Deficiencies Noted from File Review	0	1	0	0	0	0	0	0	0	1	0	0	1	0	0	0	0	0	3
# of Deficiencies Subsequently Corrected	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
# of Deficiencies Not Corrected	0	1	0	0	0	0	0	0	0	1	0	0	1	0	0	0	0	0	3
Questioned Costs for File Review	\$0	\$2,430	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,370	\$0	\$0	\$0	\$0	\$0	\$7,800
# of Deficiencies Noted from Inquiry	0	0	0	0	0	0	0	0	7	0	0	0	3	0	0	0	0	0	10
# of Deficiencies Subsequently Corrected	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
# of Deficiencies Not Corrected	0	0	0	0	0	0	0	0	7	0	0	0	3	0	0	0	0	0	10
Questioned Costs from Inquiry	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,149	\$0	\$0	\$0	\$11,585	\$0	\$0	\$0	\$0	\$0	\$25,734

Summary of Questioned Costs

Deficiency	Amount Questioned
Eligibility Re-Certifications Not Performed	\$ 860
Lack of Income Eligibility Documentation	16,151
Lack of Documentation of Homeowner's Permission	10,430
Multi-Unit Dwellings Ineligible - File Review	7,800
Multi-Unit Dwellings Ineligible - Population Verification Review	<u>25,734</u>
Total questioned costs	<u>\$60,975</u>

Conclusion

Our testwork included a review of 258 client files, which represented \$1,058,578 of home weatherization costs, and our home site visits to 99 of the 258 clients, which represented \$442,861 of home weatherization costs from a total population of \$43,746,923. Based on the results of our original sample testwork, we questioned costs totaling \$64,475 related to eligibility determination and documentation issues. Based on our inquiry and additional nonsample work performed, we questioned costs totaling \$25,734 related to multi-unit dwellings. Subsequent to our testwork, DHS and subrecipients' management began addressing the deficiencies, and in some cases, the deficiencies were corrected. In those instances where we could verify the corrective action, we adjusted the original questioned costs to arrive at the final total federal questioned costs for the eligibility errors noted of \$60,975.

Management has not identified and assessed the risk associated with the eligibility errors noted above in its risk assessment.

Recommendation

Government officials are responsible for our tax dollars. Taxpayers rightly expect that state officials responsible for the weatherization program for low-income persons will identify eligible persons, eligible dwellings, and maintain proper documentation to support expenditures charged to the Weatherization Assistance for Low-Income Persons program.

The Department of Human Services is responsible for administering the Weatherization Program. Given the large number of homes weatherized through the American Recovery and Reinvestment Act of 2009 (ARRA) and non-ARRA funding, the Commissioner and department management must rely on all parties involved in the weatherization process to perform their responsibilities in accordance with contract terms and federal regulations. In such circumstances, it is critical that those individuals charged with the responsibility for approving and reviewing weatherization applications realize that there are real consequences for failure to meet their obligations.

Because the Commissioner and department management must rely on subrecipients to carry out the program, and due to the ongoing potential for risks of noncompliance, fraud, waste, and abuse in the program, it is imperative that management continue to carefully monitor the work performed by subrecipients. The department should use the knowledge gained from these monitoring efforts to identify and mitigate these and other risks promptly.

Specifically, DHS management should ensure that

- eligibility re-certifications are performed as required;
- income eligibility is documented;
- the homeowner's permission is documented prior to weatherizing the home; and
- multi-unit dwellings greater than the four-unit limit or are not otherwise eligible are not weatherized.

Failure to comply with program requirements may cause the state to lose substantial federal funding for which our citizens pay taxes.

Management's Comment

We concur in part. The Department's effort to provide oversight and accountability as a result of last year's audit is clearly evidenced in the details of this finding. While we would like to show even larger gains in improvement, we recognize, as did the report, that the Department must rely upon the sub-recipients to fully perform their obligations under the transparent and accountable processes developed by the department. With the exception of the multi-family portion of this finding, there is a 76% reduction in the dollars questioned and only 4 identified issues out of a sample size of 258 (1.6%). We will continue to monitor and assist the subrecipient agencies that administer the program. It is also critical to note that all questioned costs already have been or will be recouped.

The Department's specific responses to the detailed findings follow.

Eligibility Re-certifications Not Performed

It is important to note in this finding that all but one of the re-certifications were performed and all but one of the homeowners were eligible to receive the weatherization. The exception is 0.39% (1) of the files reviewed, which equates to 0.08% of the dollars reviewed. It is important to note the questioned costs, \$860, already have been or will be recouped.

Lack of Income Eligibility Documentation

We agree that 3 homes (1.2%) lacked the proper documentation. It is important to note the percentage questioned based on file review is 0.7%. These questioned costs already have been or will be recouped.

Lack of Documentation of Homeowner's Permission

We agree that our subrecipients should always get the proper form showing the homeowner agrees to have the work done, but it is more important to note that the homeowner allowed a preauditor to come into the home to do the preaudit; allowed the workers to come into the home to perform the work (which can take more than one day); allowed a post auditor to come into the home to do a post audit; and signed a post audit completion form. Additionally, as the finding indicates, only 2 (0.7%) of the homes did not have the permission forms. The questioned costs already have been or will be recouped.

Multi-Unit Dwelling Ineligible

We agree that multi-unit dwellings are ineligible and already have or will recoup the questioned costs of these findings.

Clearly the procedures, training, and focused attention has shown, as this audit has confirmed, the prevalence of issues is decreasing to relatively low levels.

Finding Number	11-UT-02
CFDA Number	84.007, 84.063, 84.268, and 84.375
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	University of Tennessee
Grant/Contract No.	P007A103937, P268K102250, P268K102250, P375A102250
Federal Award Year	2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	\$13,344.38

Financial aid staff did not properly perform Title IV return-of-funds calculations, resulting in federal questioned costs of \$13,344.38

Finding

The financial aid office at the Knoxville campus did not properly calculate the amount of Title IV funds to be returned for students who withdrew during the Fall 2010 semester. According to the *Code of Federal Regulations*, Title 34, Part 668.22(f):

. . . the percentage of the payment period or period of enrollment completed is determined . . . by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date . . .

The *Federal Student Aid Handbook*, Volume 5, page 27, states that, "Up through the 60% point in each payment period or period of enrollment, a prorata schedule is used to determine the amount of Title IV funds the student has earned at the time of withdrawal."

For 2 of 13 students tested (15%) who received Title IV aid and withdrew during the award year, financial aid staff members did not properly calculate the prorata enrollment period when determining the amount of Title IV funds to return. For both students, the staff members used the incorrect start date of the Fall 2010 semester in calculating the number of days in the period of enrollment. As a result, eight additional days were added to the beginning of the term, inflating the percentage of the period of enrollment completed and reducing the amount of Title IV aid to be returned. We also haphazardly selected six additional students who withdrew during the Fall semester and found that the incorrect semester start date was also used for each of these students. In addition, for one of the six additional students tested, the student's Direct Subsidized Loan of \$1,742.00 was omitted from the total aid disbursed.

The Assistant Director of Financial Aid stated these errors occurred because the Senior Financial Aid Specialist typed the wrong semester start date into the computerized return of Title IV aid worksheet. The Assistant Director agreed that, since term dates are saved in a computerized template to be used for all undergraduate withdrawals, the error would have extended to all undergraduate students who withdrew during the fall semester.

The Assistant Director determined that the return of funds calculations were incorrect for 85 students by reviewing the withdrawal worksheets for all students who received Title IV aid and withdrew during the fall semester. Financial Aid personnel recalculated the return of Title IV aid for each of the 85 affected students and determined that an additional \$11,755.68 was due to the Department of Education. However, the Financial Aid Director did not ensure the omission of the student's Direct Subsidized Loan noted above was included in the recalculations, resulting in an additional error of \$1,588.70. As a result, questioned costs totaled \$13,344.38.

Because the Office of Financial Aid & Scholarships at the Knoxville campus did not properly calculate the amount of Title IV funds to be returned for students who withdrew during the Fall 2010 semester, additional funds are due to the U.S. Department of Education.

Recommendation

The Director of Financial Aid should implement additional review procedures to ensure the accuracy of the return-of-funds calculations. Any templates used in the return calculations should be properly reviewed by the Director of Financial Aid or Assistant Director of Financial Aid for accuracy.

The Director of Financial Aid should ensure that risks such as those noted in this finding are adequately identified and assessed in management's risk assessment activities. The Director of Financial Aid should identify specific staff to be responsible for the design and implementation of internal controls to prevent and detect exceptions timely. The Director should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and take prompt action should exceptions occur.

Management's Comment

The university concurs. The date-related calculation errors resulted from a single, clerical error in the semester date parameter during the setup of the Return of Title IV Funds software, which is provided by the U.S. Department of Education. The semester start date was entered incorrectly, resulting in a minor miscalculation of the percentage of funds that students had earned prior to withdrawal from classes—a percentage that was not significantly out of line compared with other semesters. This is not an indication of a systemic problem, but of an isolated instance affecting a limited number of students who withdrew during a small window of time in a single semester. With the exception of the date-related calculation errors and the omission of one student's Direct Subsidized Loan, all other calculations were correct. The identified errors have been corrected, and funds have been returned to the Department. The institution did not benefit from the errors, and the students were held harmless in their resolution.

Appropriate staff training has been added to ensure future compliance. In addition to current practices, the Assistant Director for Grants and Loans will monitor compliance through review of system reporting templates and individual withdrawal calculations as completed by the Withdrawal Processor.

Proper policies and procedures are in place to ensure compliance regarding the Return of Title IV Funds resulting from a student withdrawal from classes. Additional training and review will assist with error prevention and detection.

Finding Number	11-ETSU-01
CFDA Number	84.038
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	East Tennessee State University
Grant/Contract No.	N/A
Federal Award Year	2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	N/A

Notifications required by federal regulations were not performed for Perkins Loans in default status

Finding

East Tennessee State University did not ensure that all notification procedures were performed for Perkins Loans in default status.

According to the *Federal Student Aid Handbook*, volume 6, page 100:

If [a] borrower does not respond to the final demand letter within 30 days, [the school] must try to contact him or her by telephone before beginning collection procedures. As telephone contact is often very effective in getting the borrower to begin repayment, one call may avoid the more costly procedures of collection.

[The school] may accelerate a loan if the borrower misses a payment or does not file for a deferment, forbearance, or cancellation on time. Acceleration means immediately making payable the entire outstanding balance, including interest and any applicable late charges or collection fees.

Because [loan acceleration] marks a serious stage of default, the borrower should have one last chance to bring his or her account current. For that reason, if the school plans to accelerate the loan, it must send the borrower a written acceleration notice at least 30 days in advance.

For the year ended June 30, 2011, we reviewed the files of 25 students whose Perkins Loans went into default during the fiscal year. We noted the following discrepancies:

- For all 25 of the students tested, neither the Bursar's Office staff nor the university's contracted loan servicing agency made the required phone calls to the borrowers before the accounts were referred to collections.

- For 9 of 25 students tested (36%), neither the Bursar's Office staff nor the loan servicing agency mailed the intent to accelerate letters at least 30 days prior to the effective date of acceleration.

Based on our discussions with the Bursar, the phone calls and loan acceleration letters described above were the responsibility of the loan servicing agency. Loan servicing agency personnel stated that they currently make the required phone calls, but did not do so during the 2011 fiscal year.

Even though the university uses an outside vendor to perform billing procedures, the responsibility for compliance with federal regulations lies with the university. The *Federal Student Aid Handbook*, volume 6, page 108 states:

Your school may use a contractor for billing or collection, but it is still responsible for complying with due diligence regulations regarding those activities.

Not ensuring that borrowers were adequately notified before being transferred to a collection agency or before loan acceleration could lead to unnecessary collection costs and/or financial hardship for borrowers in default.

Recommendation

The Bursar should ensure that the university follows due diligence procedures regarding Federal Perkins Loans in default status. Specifically, the Bursar should ensure that the university or its designee makes the required phone calls to students before referring loans to collections. In addition, the Bursar should ensure that the university or its designee mails the intent to accelerate letters at least 30 days prior to the effective date of the loan acceleration.

The Bursar should ensure that risks such as those noted in this finding are adequately identified and assessed in the university's risk assessment activities. The Bursar should also identify specific staff to be responsible for the design and implementation of internal controls to prevent and detect exceptions timely. The Bursar should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and take prompt action should exceptions occur.

Management's Comment

We concur with the finding and recommendation. The Bursar reviewed the Perkins Loan servicing agreement and modified the terms to include the required due diligence for loans in default status. The loan servicing agreement, as amended, includes the thirty-day preacceleration letter and required telephone call before referral to collections.

ETSU will ensure risks of compliance with loan servicing are included in the university's risk assessment. A staff member in the Bursar's Office has been assigned the responsibility to review compliance and monitor loan servicing by the contractor.

Finding Number	11-ETSU-02
CFDA Number	84.268
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	East Tennessee State University
Grant/Contract No.	P268K112226
Federal Award Year	2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	N/A

The reconciliations of the university's Direct Loan records to the Direct Loan Servicing System's records, as required by federal regulations, were not documented

Finding

East Tennessee State University's Office of Financial Aid did not retain documentation of the reconciliations of the university's Direct Loan records with the federal Direct Loan Servicing System's records in the Common Origination and Disbursement system. According to the *Office of Management and Budget Circular A-133 Compliance Supplement*, part 5,

Each month, the COD [Common Origination and Disbursement system] provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records.

Detailed instructions about the reconciliation process are included in the *Direct Loans School Guide* and yearly training documents provided by the U.S. Department of Education.

The Assistant Director of Financial Aid stated that she prepared these reconciliations but did not retain documentation of them. The Assistant Director was not aware of the need to document these reconciliations, as this was the first year the university administered the Direct Loan program.

Performing monthly reconciliations and retaining all supporting documentation enables financial aid staff to ensure that all Direct Loan funds disbursed to students are received from the U.S. Department of Education and that disbursements to students are made timely and for the correct amounts. Without documented reconciliations, the university cannot prove it has met the federal reconciliation requirement, and supervisors cannot review the reconciliations to ensure they have been completed correctly and on a timely basis.

Recommendation

The Director of Financial Aid should ensure that the required monthly reconciliations are prepared based on instructions in the *Direct Loans School Guide* and yearly training documents. If any items on the School Account Statement do not agree to the institution's financial records, financial aid staff should investigate these differences. In addition, the Director of Financial Aid should ensure that documentation of the reconciliations is retained. The Director of Financial Aid and a member of the Controller's office staff should review the reconciliation each month and at award year end to ensure accuracy and completeness.

The Director of Financial Aid should ensure that risks such as those noted in this finding are adequately identified and assessed in the university's risk assessment activities. The Director should also identify specific staff to be responsible for the design and implementation of internal controls to prevent and detect exceptions timely. The Director should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and take prompt action should exceptions occur.

Management's Comment

We concur with the finding and recommendation. Although the Direct Loans reconciliation was performed and exceptions were investigated, the Financial Aid office did not retain copies documenting the activity. Procedures are now in place to document the reconciliation, with appropriate review by the Director of Financial Aid and Financial Services staff.

ETSU will ensure the risks associated with Direct Loan compliance are included in the university's risk assessment activities. The Financial Aid Director and Assistant Directors are responsible for internal controls to prevent and detect exceptions. The Financial Aid Director and Assistant Directors will be responsible for ongoing monitoring for compliance.

Finding Number	11-TSU-01
CFDA Number	84.268
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	Tennessee State University
Grant/Contract No.	P268K110381
Federal Award Year	2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	N/A

The Financial Aid Office did not comply with federal guidelines to perform required reconciliations and notify the Direct Loan Servicing System of loan disbursements within 30 days of the disbursement

Finding

The Financial Aid Office is not in compliance with Title 34 of the *Code of Federal Regulations*, part 685, which requires the institution to report all loan disbursements and to submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) system within 30 days of the disbursement. The institution is also required to reconcile the School Account Statement (SAS) data file to the institution's records. The Department of Education's *Direct Loan School Guide*, Chapter 6, states, "A school that participates in the DL [Direct Loan] Program is required to reconcile the funds that it has received (from the G5 System) to pay its students with the actual disbursement records that it has forwarded to the Common Origination and Disbursement (COD) system. Reconciliation takes place on a monthly basis, with a final reconciliation that is conducted after the award year ends on June 30."

To ensure compliance with these requirements, the Loan Manager runs a process within the Banner information system that exports Direct Loan disbursements and sends a notification of the disbursement to the COD. Each month, the COD provides the institution with an SAS data file consisting of a Cash Summary, Cash Detail, and (if requested) Loan Detail records. The school is required to reconcile these files to its financial records. Based on interviews with the Loan Manager early in the audit process, she stated that she had only completed reconciliations for the period July through December 2010, and not the entire fiscal year as required. On August 2, 2011, we asked TSU staff to provide us with a copy of all the reconciliations completed in fiscal year 2011. On September 18, 2011, we received six reconciliations covering the months of September 2010 through February 2011. These reconciliations were not signed or dated by the Loan Manager or the Director. Therefore, we could not determine when the reconciliations were prepared.

In addition to, and possibly as a result of, not performing the required reconciliations, the Financial Aid Office also did not adequately submit loan disbursement information to the COD within the 30-day required time frame. We reviewed direct loan disbursements for 25 students

as part of our audit. For 14 of the 25 students tested (56%), the time from disbursement of the loan to COD submission ranged from 31 days to 180 days. Our tests consisted of reviewing 81 individual direct loan disbursements to these 25 students. Of those 81 disbursements, 24 disbursements (30%), totaling \$71,401.00, were not accepted by the COD within 30 days of the disbursement. Based on a review of the *Direct Loan School Guide*, loan data may be rejected due to incomplete information (missing name, invalid school code, etc.) or inconsistencies in the anticipated disbursement. For 21 of the 81 individual disbursements (26%), the disbursements were ultimately accepted by the COD 31 or 32 days after the disbursement. Both the Director and Associate Director of Financial Aid stated that they believe these disbursements were late due to a computer glitch with the Banner system or the COD system that eventually fixed itself. This assumption was based on reviewing the process to perform daily COD notifications within Banner and noting that, on these particular days, the file sizes were considerably larger and the files were not sent on the same day on which the process ran inside of Banner. However, this reason could not be used for the remaining three disbursements, which had submission days ranging from 67 to 180 days (one submission was 67 days after disbursement; another, 85 days; another, 180 days). For these items, Financial Aid staff stated that either the notifications were rejected because the school's accounting system showed that the particular student was overawarded based on his or her classification or because the staff did not know the proper procedures for students who qualify for additional unsubsidized loan funds. Each of these discrepancies could have been identified and properly addressed within the required time frame if required reconciliations had been performed.

The Director of Financial Aid did not ensure that the Loan Manager was performing required monthly reconciliations, which show the difference between the SAS and the institution's records. Since the Loan Manager was not completing monthly reconciliations, the department was not able to determine if there were any differences to investigate. As a result, the institution did not always adequately submit loan disbursement information to the COD within 30 days of the disbursement. Inadequate submission to the COD and the lack of the required reconciliations could result in the loss of Direct Loan funds to the school because of errors recorded in the school's or the DLSS records. Performing monthly reconciliations and retaining all supporting documentation allow Financial Aid staff to ensure that all Direct Loan funds are received and disbursements to students are made timely and for the correct amounts.

Recommendation

The Director of Financial Aid should ensure that the Financial Aid staff is familiar with the federal regulations and that the Loan Manager reconciles the School Account Statement with the institution's records regularly as outlined in the *Direct Loan School Guide*, Chapter 6. If any items do not agree, Financial Aid staff should then investigate the differences. The Loan Manager should ensure that loan disbursement information is adequately submitted to the COD within 30 days of the disbursement. Ongoing monitoring should be implemented to ensure that the Financial Aid Office is in compliance with all requirements and that action is taken promptly should exceptions occur.

Management's Comment

We concur with the finding and recommendation. A computer program had been developed to submit student loan disbursements via COD within 30 days of the disbursements; however, an incorrect parameter in the program was not discovered and corrected until after several disbursements were out of compliance with the 30-day requirement. Twenty-one of the 24 disbursements were 1 to 2 days late, and 3 of 24 disbursements were 37 to 150 days late. All batches submitted subsequent to this program correction have been in compliance with OMB regulations. The Director of Financial Aid will ensure the program parameters remain correct and for a period of no less than one calendar year will submit to the Vice President for Business and Finance a monthly confirmation that all disbursements have been submitted to COD in a timely manner.

Monthly reconciliations of the Direct Loan Program had not been prepared at the time of the 2010-2011 audit for the months of March, April, and May. The year-to-date reconciliation was completed as a part of the year-end closing process. The Director of Financial Aid will now be required to document her review and approval of the monthly reconciliations prepared by the Loan Manager. In addition, the Vice President for Business and Finance will monitor the date the Director of Financial Aid approves the reconciliations for a period of no less than one calendar year, to ensure timely preparation and approval.

Finding Number	11-UT-03
CFDA Number	84.268
Program Name	Student Financial Assistance Cluster
Federal Agency	Department of Education
State Agency	University of Tennessee
Grant/Contract No.	P268K102842
Federal Award Year	2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	N/A

The Registrar's Office at the Health Science Center did not properly report enrollment data, increasing the risk of not initiating the student loan repayment process

Finding

The Registrar's Office at the University of Tennessee Health Science Center in Memphis did not properly report enrollment data for the Direct Loan borrowers who withdrew from classes or graduated. *Office of Management and Budget Circular A-133 Compliance Supplement*, Part 5, states,

Schools must complete and return within 30 days the Enrollment Reporting Roster File [formerly the Student Status Confirmation Report (SSCR)] placed in their Student Aid Internet Gateway (SAIG) mailboxes sent by ED [Department of Education] via NSLDS [National Student Loan Data Service] (OMB No. 1845-0035) . . . Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS web site.

Unless the school expects to complete its next roster within 60 days, the school must notify the lender or the guaranty agency within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis (Direct Loan, 34CFR section 685.309).

According to the *Federal Student Aid Handbook*, volume 2, page 42:

Student enrollment information is *extremely important*, because it is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the out of school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds [emphasis added].

The Health Science Center received the Enrollment Reporting Roster File from the Department of Education every 60 days during the year ended June 30, 2011. The Enrollment Reporting Summary Schedule (SCHER1) obtained from NSLDS indicated that the Registrar's Office did not complete and return three of six Enrollment Reporting Roster Files within 30 days of receipt from the U.S. Department of Education. The Registrar's Office did not complete and return one roster file because the next one was sent by the Department of Education prior to the registrar's office completing the file. The Registrar's Office returned the other two completed reports 43 and 45 days after they were received from the Department of Education.

In addition, we selected a sample of all Direct Loan borrowers who withdrew from classes or graduated during the year ended June 30, 2011. The Registrar's Office did not properly report the enrollment data to the Department of Education for any of the 25 borrowers tested.

- One student withdrew on December 6, 2010; however, the Registrar's Office did not report the student as having withdrawn until May 10, 2011, 125 days late.
- As of August 2, 2011, two students who withdrew from classes during the spring semester had not been reported as withdrawn. One student withdrew on May 19, 2011, and was reported to NSLDS as being enrolled full-time on May 26, 2011, and again on July 30, 2011. The other student, who withdrew on March 14, 2011, was reported as being enrolled full-time on May 26, 2011, and August 1, 2011.
- Thirteen students tested who graduated during the spring semester on May 27, 2011, were not reported as having graduated until July 29, 2011, through August 1, 2011, 33 to 36 days late.
- As of August 2, 2011, the Registrar's Office had not reported the graduation of nine students who graduated during the spring semester.

The Academic Records Coordinator II stated enrollment status changes were not reported timely because the institution had recently implemented a new student information system; the institution was negotiating a contract with the National Student Clearinghouse to report status changes; and the employee assigned the task of reporting did not perform his duties. It was also noted that there was no written policy about reporting enrollment status changes for student borrowers.

Not accurately reporting enrollment status changes could result in the inappropriate granting of an in-school deferment or the failure to properly initiate the loan repayment process.

Recommendation

The Registrar should ensure that all enrollment status changes for Direct Loan borrowers are reported timely in compliance with federal regulations. She should develop a process to perform ongoing reviews and implement written procedures to ensure proper reporting.

The Registrar should ensure that risks such as those noted in this finding are adequately identified and assessed in management's risk assessment activities. The Registrar should also identify specific staff to be responsible for the design and implementation of internal controls to prevent and detect exceptions timely. She should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and take prompt action should exceptions occur.

Management's Comment

We concur with the finding. In response, the University of Tennessee Health Science Center (HSC) has designed a comprehensive action plan to ensure enrollment student status changes are made within the scheduled 30 day time frame to NSLDS. First, the HSC is in the process of partnering with the National Student Clearinghouse (NSC). This partnership will allow an automatic upload by NSC of enrollment data and ensure timely reporting. Therefore, the daily submission of and changes to student status changes should eliminate future errors.

Additionally, the HSC Registrar has assigned duties and responsibilities to ensure the accuracy and timeliness of the report. Included in the plan are persons responsible for the implementation, quality control, and on-going monitoring of the plan.

- The employee responsible for entering changes (half-time, graduate, or withdrawn) in Banner was assigned the NSLDS report, improving accuracy and efficiency. Student status changes are entered in Banner and NSLDS upon receipt in the Registrar's office. The Registrar monitors and reviews the bi-monthly upload to the NSLDS website and receives a written report from the assigned employee confirming completion of each report. The Coordinator for Academic Records is trained and authorized to update student enrollment status information via the NSLDS website. She serves as the back-up for reporting purposes.
- Another staff person populates the Banner graduation fields. The two employees collaborate to ensure graduates are entered into NSLDS within six business days after graduation. The Registrar, Coordinator, and other assistants in the office are trained to enter data in the Banner graduation fields. Weekly staff meetings alert the Registrar to problems, providing time to adjust and modify for accurate reporting.

Finding Number	11-UT-04
CFDA Number	84.268
Program Name	Student Financial Assistance
Federal Agency	Department of Education
State Agency	University of Tennessee
Grant/Contract No.	P268K102250 (UTK); P268K102251 (Martin); P268K102842 (Memphis)
Federal Award Year	2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	N/A

Directors of Financial Aid did not properly perform Direct Loan reconciliations

Finding

The Directors of Financial Aid at the Knoxville and Martin campuses and the Health Science Center in Memphis did not properly reconcile the university's Direct Loan financial records with the federal Direct Loan Servicing System.

The U.S. Department of Education's *Direct Loan School Guide*, Chapter 6, states:

A school that participates in the Direct Loan Program is required to reconcile the funds that it has received (from the G5 system) to pay its students with the actual disbursement records that it has forwarded to the Common Origination and Disbursement (COD) system. Reconciliation takes place on a monthly basis, with a final reconciliation that is conducted after the award year ends on June 30.

The starting point for reconciliation is the School Account Statement that COD sends to the school each month. A school reconciles its Direct Loan account by comparing the Ending Cash Balance on the School Account Statement with its internal records, ensuring that any discrepancies are resolved, and documents any reasons for a positive or negative balance.

The Ending Cash Balance is simply the difference between the actual disbursement information that [the school has] reported to COD (and COD has accepted) for individual students and parents, compared to the net Drawdowns/Payments that [the] school has received from the G5 Payment System, as reported on the School Account Statement.

To properly perform this reconciliation, the school is required to reconcile net booked disbursements and net cash drawdowns on the School Account Statement to its internal financial records on a monthly basis, and any differences should be investigated.

Based on our interviews with the Directors of Financial Aid, the Directors did not fully perform these reconciliations, nor did they ensure that other staff members performed these reconciliations completely.

The Sponsored Projects Accounting Office in Knoxville performs the Direct Loan drawdowns for all campuses and also performs monthly reconciliations between the Department of Education's Grants Management (G5) system and the business office records. The Directors of Financial Aid each disclosed that they did not reconcile net drawdowns because they thought the reconciliations performed by the Sponsored Projects Accounting Office staff were sufficient to meet federal regulations.

This G5 reconciliation alone was not sufficient since the net cash drawdowns per the G5 system and ledger were not compared to the net cash drawdowns on the School Account Statement as provided by the COD system. The staff of the Financial Aid and Sponsored Project Accounting Offices should both be involved in validating the drawdown number on the School Account Statement.

None of the three campuses performed reconciliations of the ending cash balance to the school's financial records. In addition, they either did not reconcile or did not fully reconcile total net booked disbursements each month to the school's financial records. The Director of Financial Aid at the Knoxville campus did not reconcile disbursements for any of the 12 months in the fiscal year. The Assistant Director of Financial Aid at Martin did not reconcile disbursements for 3 of the 9 months tested. The Director of Financial Aid at the Health Science Center attempted to reconcile cash disbursements for 3 of the 12 months tested. However, these reconciliations were not complete and were not adequately documented.

The Director of Financial Aid at the Health Science Center also disclosed that the Sponsored Projects Accounting staff incorrectly used the Knoxville G5 number when requesting the Health Science Center's Direct Loan reimbursements from the Department of Education for July through November 2010. This error was not discovered until November. Because the incorrect G5 number was used when requesting reimbursements, the net drawdowns reported on the School Account Statement Cash Summary were overstated for the Knoxville campus and understated for the Health Science Center. If the Directors of Financial Aid at Knoxville and the Health Science Center had performed monthly reconciliations of all required data elements (ending cash, net drawdowns, and net booked disbursements) on the Cash Summary, the reimbursement request error would have been detected earlier.

The absence of reconciliations of net cash drawdowns and net booked disbursements as reported to the federal government and to the financial records of the university could lead to unresolved errors. Excess amounts could be received from the federal government, resulting in questioned costs, or amounts due to the university might not be drawn down. Without performing monthly reconciliations and retaining all supporting documentation, financial aid staff cannot ensure that all Direct Loan funds are received and that disbursements to students are made timely and for the correct amounts.

Recommendation

The Director of Financial Aid at each campus should ensure that staff members are aware of federal regulations and are adequately trained to perform the Direct Loan reconciliations as outlined in the *Direct Loans School Guide*, Chapter 6. If any items on these reconciliations do not agree, financial aid staff should then investigate and resolve the differences.

The Director of Financial Aid at each campus should ensure that risks such as those noted in this finding are adequately identified and assessed in management's risk assessment activities. The Director of Financial Aid at each campus should identify specific staff to be responsible for the design and implementation of internal controls to prevent and detect exceptions timely. Each Director should also identify staff to be responsible for ongoing monitoring for compliance with all requirements and take prompt action should exceptions occur.

Management's Comment

The university concurs. This was the first year that UT fully participated in the Direct Loan program, having converted from the lender-based FFEL program. The university is aware of the Federal requirement that all Federal Direct Loan (DL) transactions be reconciled monthly and believed it had the appropriate procedures in place for full compliance.

For the Knoxville campus:

Corrective action has taken place with the creation of a new taskforce that includes all key areas involved in the processing, disbursing, and reconciling of the DL program. The taskforce has reviewed all aspects of the process and made the necessary revisions to the written procedures and has trained all staff to ensure future compliance. Manual monthly reconciliation of the federal loan disbursements now includes the School Account Statement and COD components in the process.

For the Martin campus:

The Assistant Director of Financial Aid is now reconciling Direct Loan disbursements on a monthly basis. The reconciliation is reviewed monthly by the Financial Aid Director. An e-mail is sent to the Knoxville Sponsored Project Accounting staff after each reconciliation to report the cash receipts per COD and the school expenditures.

For the UTHSC campus:

The HSC concurs with the finding and has taken necessary actions to reconcile the university's Direct Loan financial records with the federal Direct Loan Servicing System. We have ensured that we are receiving the proper files from the Direct Loan Servicing System along with the correct information from the G5 system. Specifically, the HSC reconciles the School Account Statement from the Department of Education with DL funds that show as paid in the

Banner Student Information System and with the Departmental Ledger Report produced out of IRIS.

The Direct Loans at the HSC were properly reconciled with the Direct Loan Servicing System for the 2010-2011 Program Year and are current for the 2011-2012 Program Year.

Finding Number	11-DOE-01
CFDA Number	84.010, 84.389, 84.027, 84.173, 84.391, 84.392, 84.394, 84.397, 84.367, 84.395, and 84.410
Program Name	Title I Part A Cluster Special Education Cluster (IDEA) State Fiscal Stabilization Fund Cluster Improving Teacher Quality State Grants ARRA-State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants ARRA-Education Jobs Fund
Federal Agency	Department of Education
State Agency	Department of Education
Grant/Contract No.	S010A080042, S010A090042, S010A100042, S389A090042, H027A070052, H027A080052, H027A090052, H027A100052, H173A080095, H173A090095, H173A100095, H391A090052A, H392A090095A, S394A090043, S397A090043, S367A080040, S367A090040, S367A100040, S395A100032, S410A100043
Federal Award Year	2010 and 2011
Finding Type	Significant Deficiency
Compliance Requirement	Activities Allowed or Unallowed Allowable Costs/Cost Principles Reporting
Questioned Costs	N/A

The department and local educational agencies did not always maintain proper information systems security

Finding

Based on our testwork, Department of Education and Local Educational Agencies' staff did not always maintain proper information systems security, resulting in increased risk of fraudulent activity. The wording of this finding does not identify specific vulnerabilities that could allow someone to exploit the department's systems. Disclosing those vulnerabilities could present a potential security risk by providing readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided the department management with detailed information regarding the specific vulnerabilities we identified as well as our recommendations for improvement.

Recommendation

The Commissioner should ensure that these conditions are remedied through procedures that encompass all aspects of effective access controls. The Commissioner should ensure that risks associated with this finding are adequately identified and assessed in the department's documented risk assessment. The Commissioner should implement effective controls to ensure

compliance with applicable requirements, assign staff to be responsible for ongoing monitoring of the risks and mitigating controls, and take action if deficiencies occur.

Management's Comment

We concur. The Department of Education will work to improve information systems security controls over the systems and applications cited in the finding. This will involve developing and strengthening procedures where needed, implementing standardized forms, maintaining documentation, improving communication when employees are terminated, and improving monitoring over controls. The risks identified in the finding will be added to the Department's risk assessment.

Finding Number	11-TSAC-01
CFDA Number	84.032
Program Name	Federal Family Education Loans - Guaranty Agencies
Federal Agency	Department of Education
State Agency	Tennessee Student Assistance Corporation
Grant/Contract No.	N/A
Federal Award Year	2010 and 2011
Finding Type	Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	N/A

The Tennessee Student Assistance Corporation did not comply with a special test and provision regarding a conflict of interest

Finding

As noted in the audits for the prior two years, a program review conducted by the U.S. Department of Education noted a prohibited conflict of interest by a contractor of the corporation. The review report dated May 28, 2009, stated:

NGS [Nelnet Guarantor Services] provides various services to TSAC, which include default aversion assistance and default collections. NGS has subcontracted with R&B Receivables Management to provide default aversion services. R&B Receivables Management Corporation does not provide any post default collection services. NGS subcontracts collection functions to various collection agencies. TSAC approves the use of all subcontractors before NGS awards the contracts.

The *Code of Federal Regulations*, Title 34, Part 682, Section 404(k)(4), states:

. . . If a guaranty agency contracts with an outside entity to perform any default aversion activities, that outside entity may not—

- (i) Hold or service the loan; or
- (ii) Perform collection activities on the loan in the event of default within 3 years of the claim payment date.

In the program review report, the U.S. Department of Education required that

TSAC must terminate contracting arrangements that create a conflict of interest. TSAC must provide this office with TSAC's plan for eliminating this conflict of interest and its plan for future default aversion and collection activities.

Management responded to the U.S. Department of Education in a letter dated June 15, 2009, and stated:

. . . THEC [Tennessee Higher Education Commission]/TSAC has begun the process to issue a Request for Proposals (RFP) for a new loan servicer contract to replace the current contract with Nelnet Guarantor Solutions (NGS) when it expires on December 31, 2010. This new contract will contain default aversion activities but not contain collection activities. As a result, THEC/TSAC will also issue a RFP for collection activities for a collections contract that will be at the same time the new loan servicer contract begins. . . .

The Health Care and Education Affordability Reconciliation Act was signed into law by the President on March 30, 2010. The bill includes sweeping changes to the student loan industry, most notably the elimination of new loans in the FFEL Program. In the prior audit, we reported management felt that due to the uncertainty of the scope of TSAC's future loan program, it would be best to continue with its current provider until it can be best determined what will be required in the future. We also reported that management obtained a one-year extension to the current contract with NGS, changing the contract's expiration date to December 31, 2011.

Management concurred with the prior finding and stated:

THEC/TSAC management notified the U.S. Department of Education (ED) on April 15, 2009, that upon expiration of the current contract with TSAC's loan servicer, THEC/TSAC would ensure the conflict of interest is eliminated. THEC/TSAC will further consult with ED regarding the effect of the Health Care and Education Affordability Reconciliation Act on the requirement in 34 CFR 682, 404 (k) (4) to avoid conflicts of interest.

Since the prior audit, management determined that there is no change regarding the effect of the Health Care and Education Affordability Reconciliation Act on the requirement in 34 CFR 682, 404(k)(4) to avoid conflicts of interest. Therefore, new RFPs have been prepared. The RFP which includes collection activities is, according to the "RFP Schedule of Events," to be signed on August 31, 2011. As of August 23, 2011, the other RFP that will include the default aversion services is, according to management, currently in review by the Office of Contracts Administration in the Department of Finance and Administration.

Noncompliance with this requirement increases the risk that the contractor that is responsible for both collection activities and default aversion assistance activities may not adequately perform default aversion assistance activities in an effort to increase collection activity volume.

Recommendation

The Executive Director of the Tennessee Student Assistance Corporation should continue to pursue the new contract arrangement, which will separate default aversion activities from collection activities.

Management's Comment

We concur. TSAC has issued a Request for Proposal for default aversion services. The contract term for these services will begin January 1, 2012. Collection activities will remain in the current servicing contract, thereby separating default aversion services from collection activities as recommended by the U.S. Department of Education.

Finding Number	11-TSAC-02
CFDA Number	84.032
Program Name	Federal Family Education Loans - Guaranty Agencies
Federal Agency	Department of Education
State Agency	Tennessee Student Assistance Corporation
Grant/Contract No.	N/A
Federal Award Year	2010 and 2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	N/A

Security over a computer system needs improvement

Finding

The corporation did not ensure adequate controls were in place for a computer system. We observed significant conditions that violated best practices for information security controls during the audit of the Federal Family Education Loans program. The wording of this finding does not identify specific vulnerabilities that could allow someone to exploit the corporation's systems. Disclosing those vulnerabilities could present a potential security risk by providing readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided the corporation with detailed information regarding the specific vulnerabilities we identified as well as our recommendations for improvement.

Recommendation

TSAC management should improve security over the computer system.

Management's Comment

We concur. Policy has been implemented within TSAC, and extended to our main servicing contractor, to strengthen controls over access to the computer system.

Finding Number	11-TSAC-03
CFDA Number	84.032
Program Name	Federal Family Education Loans - Guaranty Agencies
Federal Agency	Department of Education
State Agency	Tennessee Student Assistance Corporation
Grant/Contract No.	N/A
Federal Award Year	2005 through 2007
Finding Type	Noncompliance
Compliance Requirement	Reporting and Special Tests and Provisions
Questioned Costs	N/A

Incorrect accounting entries for the Federal Family Education Loan Program resulted in an overstated balance for the Federal Fund and a corresponding understated balance for the Operating Fund

Finding

During the previous two audits of the Tennessee Student Assistance Corporation's (TSAC's) Federal Family Education Loan Program (FFEL), management reported to us an overstatement of the corporation's FFEL Federal Fund balance. This error also resulted in a corresponding understatement of the balance of the Operating Fund. This problem existed for the years ended June 30, 2005, through June 30, 2009, and a portion of the year ended June 30, 2010. The *Code of Federal Regulations* (CFR) Title 34, Part 682, Section 423(a), states that TSAC must

establish and maintain an Operating Fund in an account separate from the Federal Fund. . . . The Operating Fund is considered the property of the guaranty agency.

Section 423 also describes the types of funds that can be deposited into the Operating Fund and allowable uses of the Operating Fund; 42 CFR 682.419 describes funds that should be deposited in the Federal Fund as well as allowable uses of the Federal Fund.

TSAC guarantees student loans made by lending institutions and performs certain administrative and oversight functions for the FFEL program. One of the functions is to coordinate the repurchase of loans from the lenders when borrowers default on the loans. TSAC has contracted with Nelnet Guarantor Solutions to process claims from lenders for defaulted loans and to maintain a lockbox to record and process subsequent recoveries on defaulted loans and payments received from lenders for repurchased loans that are later determined not to have been in default.

Nelnet deposits the funds in a state bank account and makes the appropriate adjustments in the borrower's records. Nelnet provides TSAC with itemized payment and receipt activity and records the amounts on the monthly Guarantee Agency Financial Report. After review, the monthly report is filed by TSAC with the U.S. Department of Education (DOE). The amounts on the monthly report determine the amount the DOE pays TSAC for the previous month's

activity. The itemized amounts reported on the monthly Guarantee Agency Financial Report trigger a series of journal entries made in TSAC's general ledger system that are designed to ensure funds are appropriately recorded in the Federal Fund and the Operating Fund.

Annually TSAC must also file a Guarantee Agency Financial Report that discloses both the Operating Fund and the Federal Fund's beginning and ending balances as well as a breakdown of additions and deductions. On the annual report, TSAC also must complete a balance sheet for the Federal Fund.

In the previous audit, we reported that several years ago a decision was made to have some lender payments that would have gone to the lockbox be sent to TSAC instead. We also noted that management did not know why this decision was made.

When funds were received by TSAC instead of the lockbox, an entry was made in TSAC's general ledger system to increase the Federal Fund's balance and record the receipt of cash. These funds were then deposited in a state bank account. TSAC would then forward all the borrower information to Nelnet so the borrower's records could be updated. However, through the monthly reporting and journal entry process described above, the Federal Fund's balance was increased a second time for certain categories of funds received at TSAC, and the Operating Fund's balance was decreased.

This error could have been avoided if all receipts had been processed through the lockbox. TSAC's current procedures require all lender payments to be sent to the lockbox.

Management concurred with the prior finding and stated:

. . . Management has completed its review of accounting entries related to averted claim transactions occurring in Fiscal Years 2008 through 2010. An accounting entry to correct the operating and federal fund balances for 2009 accounting errors totaling \$3,782,145.43 was requested and subsequently approved by the U.S. Department of Education in October 2010. The appropriate accounting entry was made in the State of Tennessee's Edison Accounting System, effective October 2010. Corrections for 2008 and 2010 totaling \$2,519,166.25 and \$1,751,007.93, respectively, have been submitted to the U.S. Department of Education for approval. TSAC continues to research transactions in Fiscal Years 2005 through 2007. TSAC now directs all averted claim payments to the state authorized servicer "lockbox" bank account used exclusively for Federal Family Education Loan Program related collections. This account is used solely by our contracted servicer in Aurora, Colorado, to deposit collections on defaulted Federal Family Education Loan Program loans guaranteed by TSAC. Therefore, Federal Family Education Loan collections are not comingled with other TSAC program deposits. This process change reduces the risk of duplicate entries that could result in misstatements of operating and federal fund balances.

For the entire audit period, all averted claim payments were sent to the state authorized servicer with the lockbox bank account.

Management received approval in October 2010 from the U.S. Department of Education to transfer the \$3,782,145.43 relating to fiscal year 2009. Management received approval in June 2011 from the U.S. Department of Education to transfer \$2,519,166.25 and \$1,751,007.93 for the fiscal years 2008 and 2010, respectively. The entries have been made in Edison, the state's accounting software system, and the TSAC ledger.

Management in their prior audit finding follow-up report to the Division of State Audit dated August 31, 2011, stated:

. . . In June the Internal Auditor submitted a report on the review of fiscal year 2007. Management is working to confirm the information and send documentation and a request to DOE to transfer approximately \$2 million for that year. Research for fiscal years 2005 and 2006 is nearing completion. . . . TSAC anticipates completing the reviews of 2005 and 2007 by early Fall 2011, and the review for 2006 to be completed by mid- to late Fall 2011. . . .

Recommendation

The Associate Executive Director for Loan Administration, the Tennessee Higher Education Commission's Division of Fiscal Affairs personnel, and the Director of Internal Audit should continue to research the payments activity to determine the total amount of overstatement of the Federal Fund and the understatement of the Operating Fund for fiscal years 2005 through 2006. For fiscal year 2007, management should complete its review of the information. When amounts are determined, the Executive Director should request permission from DOE to make the necessary corrections to the Federal Fund balance.

Management's Comment

We concur. Management has completed its review, received approval from the U.S. Department of Education (USDOE), and made adjustments for accounting entries related to averted claims transactions occurring in Fiscal Years 2008 through 2010. Accounting corrections in the State of Tennessee's Edison Accounting System for 2008 totaling \$2,519,166.25, 2009 totaling \$3,782,145.43, and 2010 totaling \$1,751,007.93, were made to correct the operating and federal fund balances. In addition, TSAC identified the appropriate accounting adjustments and transmitted this last request to the USDOE to approve TSAC making averted claims accounting adjustments for 2005 totaling \$2,038,264.81, 2006 totaling \$2,629,871.94, and 2007 totaling \$2,015,988.81. Following the USDOE review of this request and any supporting documentation they require, TSAC expects approval to be granted for the adjustments requested. Once approval is granted, the necessary accounting adjustments will be made in the Edison Accounting System for the amounts specified for years 2005 through 2007. At that time, this averted claims issue will be concluded.

Beginning in the first quarter of calendar year 2010, TSAC began directing all averted claim payments to the state authorized servicer "lockbox" bank account used exclusively for

Federal Family Education Loan Program related collections. This account is used solely by our contracted servicer in Aurora, Colorado, to deposit collections on defaulted Federal Family Education Loan Program loans guaranteed by TSAC. Therefore, Federal Family Education Loan collections are not comingled with other TSAC program deposits. This process change reduces the risk of duplicate entries that could result in misstatements of operating and federal fund balances.

Finding Number	11-DFA-05
CFDA Number	84.394
Program Name	State Fiscal Stabilization Fund Cluster
Federal Agency	Department of Education
State Agency	Department of Finance and Administration
Grant/Contract No.	S394A090043
Federal Award Year	2009 through 2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Reporting
Questioned Costs	N/A

Department of Finance and Administration staff understated federal funds expended on the Section 1512 report for the American Recovery and Reinvestment Act of 2009

Finding

As a prime recipient of funds through the American Recovery and Reinvestment Act of 2009 (ARRA), the Department of Finance and Administration (F&A) is required to prepare quarterly Section 1512 reports to detail pertinent activities of its subrecipients. For programs receiving ARRA funds, Section 1512 quarterly reports must be submitted to an online reporting database within ten days of the end of each calendar quarter. These reports are required to contain information for federal officials and the public about federal funds received, federal funds expended, project descriptions, estimates of the number of jobs created, and detailed information on any subcontracts or subgrants.

In preparing the quarterly Section 1512 reports, the department relies on information submitted by its subrecipients and vendors. For our testwork on the Section 1512 report for the quarter ended March 31, 2011, we traced key data elements to the TRAM monthly status report for the corresponding period and to other supporting documentation. Based on our testwork, we found that the Senior Management Consultant in the Office of Audit and Consulting Services, who was responsible for preparing and submitting the Section 1512 report, reported the total federal expenditures on the prime recipient section of the 1512 report as \$391,711,648.17; however, the subrecipient report portion of the report stated the expenditure amount as \$382,888,343.82, resulting in an understatement of \$8,823,304.35. According to the Senior Management Consultant, he receives monthly reports from the subrecipients for funds they have expended and for which they are requesting reimbursement. The error occurred at the end of fiscal year 2010 when two subrecipients sent F&A summaries, after the second quarter 1512 reports had been submitted, which contained additional expenditure amounts for fiscal year 2010. The Senior Management Consultant failed to include the additional expenditures in the next quarter's report, and therefore, the resulting cumulative disbursed amounts reported on the subrecipient portion of the 1512 report did not include the additional expenditures. Specifically, F&A did not have a reconciliation and did not review reports to ensure that all expenditures were included in the 1512 report, which is a critical control when subrecipients submit reports after the 1512 reporting deadline.

The department was not aware of this error until we brought it to management's attention. Once notified, the Senior Management Consultant stated, "Because we cannot go back and revise our previous 1512 reports, we will make sure that we correct this issue on the 1512 Report due early next month, and it will be correct moving forward." According to the FederalReporting.gov website, "Prime recipients must ensure that ALL sub-recipient awards (including those that have already been completed) are reported every quarter until the Prime's Report is marked 'Complete and Final.' All sub-recipient data must be carried forward through each of the reporting periods. Recipients can adjust their sub-recipient reports on their next filed report and on all reports going forward when necessary." The Senior Management Consultant gave us a copy of the third quarter 1512 report, which showed the corrections.

The lack of effective controls over Section 1512 reporting increases the risk that the department will submit unreliable reports. Without reliable information about program activities, federal officials and the public do not know ARRA funding amounts and whether management has achieved the required ARRA objectives.

Given the problems identified in our testwork, we also reviewed the department's risk assessment. We found that management's risk assessment did not fully address the issues noted in this finding. The department's risk assessment identified this as a low-risk event, and the internal controls listed would not mitigate this risk.

Recommendation

The Senior Management Consultant in the Office of Audit and Consulting Services responsible for ARRA reporting should revise the process to include:

- a reconciliation between the Section 1512 report and source documents from the subrecipients and
- a re-performance/review system to ensure that Section 1512 information is accurate prior to the report being submitted.

Management should also consider having another employee review the above mentioned reconciliation for accuracy.

Although the risk of failing to submit timely and accurate federal reports was identified in the department's risk assessment, management should reassess this risk and establish and document the controls that are in place to mitigate it.

Management's Comment

We concur. Changes were made to require cumulative reporting from SFSF subrecipients. This reduced the amount of reconciliations required. Management will assess the need for an additional independent review of 1512 reports prior to submission and reassess the risk assessment and mitigating controls.

Finding Number	11-DHS-06
CFDA Number	93.558, 93.714, and 93.716
Program Name	Temporary Assistance for Needy Families Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G0802TNTANF, G0902TNTANF, G1002TNTANF, G1102TNTANF, G1001TNTAN2, G1002TNTAN2
Federal Award Year	2008 through 2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	N/A

The department failed to document certifications attesting to Temporary Assistance for Needy Families recipients' lack of state or federal criminal convictions when they renewed their eligibility, increasing the risk that funds will be disbursed to ineligible recipients

Finding

The Department of Human Services (DHS) administers the Temporary Assistance for Needy Families (TANF) program, which is a federal program under the oversight of the Administration for Children and Families under the United States Department of Health and Human Services (HHS). The TANF program is designed to help needy families achieve self-sufficiency. States receive a block grant to design and operate their program. According to HHS' website, the purposes of TANF are:

- assisting needy families so that children can be cared for in their own homes;
- reducing the dependency of needy parents by promoting job preparation, work and marriage;
- preventing out-of-wedlock pregnancies; and
- encouraging the formation and maintenance of two-parent families.

To become eligible to receive TANF benefits, applicants must meet certain eligibility criteria, such as maximum income and resource limits. Applicants must also certify that they have not been convicted of misrepresentation to receive entitlement benefits from two or more states, are not fugitive felons or have probation, or parole violations. Applicants must make these certifications as part of their initial eligibility determination and during their annual eligibility renewal. DHS caseworkers document eligibility in their Automated Client Certification and Eligibility Network for Tennessee (ACCENT) system.

We tested a sample of 60 TANF case files during the fiscal year ended June 30, 2011. To determine DHS' compliance with the federal eligibility requirements, we reviewed case information in ACCENT. Based on our review, we found that for 39 of 60 case files (65%), the Director of Family Assistance Policy failed to document in ACCENT whether recipients renewing eligibility certified that they had not been convicted in federal or state court in the last 10 years of misrepresenting their place of residence in order to simultaneously receive assistance

or benefits from multiple states under TANF and other federal entitlement programs. According to Title 42, *United States Code* (USC) 608(a) (8) (A):

A State to which a grant is made under section 603 of this title shall not use any part of the grant to provide cash assistance to an individual during the 10-year period that begins on the date the individual is convicted in Federal or State court of having made a fraudulent statement or representation with respect to the place of residence of the individual in order to receive assistance simultaneously from 2 or more States under programs that are funded under this subchapter [and other programs within this chapter].

During our testwork, we also found that for 8 of 60 case files tested (13%) the Director of Family Assistance Policy failed to document in ACCENT that recipients were not fugitive felons or probation or parole violators when they renewed their eligibility. According to 42 USC 608(a) (9) (A),

A State to which a grant is made under section 603 of this title shall not use any part of the grant to provide assistance to any individual who is— (i) fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the individual flees, for a crime, or an attempt to commit a crime, which is a felony under the laws of the place from which the individual flees, ... or (ii) violating a condition of probation or parole imposed under Federal or State law.

Since the caseworkers did not enter this information, we could not determine whether the case workers actually requested this information from the clients. Based on all of our eligibility testwork, we found that these 60 recipients met every other eligibility requirement. As a result, we are not questioning the costs relating to these certification errors. We discussed these problems with the Director of Family Assistance Policy. According to the director, prior to October 2010, the applicants made these certifications on the TANF applications. However, according to the Director of Family Assistance Policy, DHS changed its renewal applications in October 2010 to reduce the cost of the mailings. The renewal application documents changes in recipients' circumstances but does not address either of these certifications. Although the renewal application changed, it does not alleviate DHS' responsibility to document in ACCENT these client certifications.

When the required client certifications are not documented, the risk of awarding money to ineligible recipients is increased, and the state may be liable for funds disbursed to the ineligible recipients. DHS identified the risk of obtaining inadequate documentation from a federal program recipient to verify eligibility in their risk assessment. Management indicated in the risk assessment that federal grant funds are monitored to ensure recipients meet eligibility requirements. However, this broad control is not specific enough to address the risks of inadequate client certifications.

Recommendation

The Director of Family Assistance Policy should ensure that the required certifications are obtained and documented during the renewal process and clearly documented in ACCENT. In addition, management should also reassess the controls associated with TANF eligibility to ensure appropriate mitigating controls address the risks.

Management's Comment

We concur. The failure to document does not increase the risk that ineligible recipients will receive funds during the recertification process. Clients are required to attest to eligibility with the two cited areas during the recertification interview as a matter of policy and practice. It is important to note that none of the 47 cases cited were noted as being ineligible.

Finding Number	11-DHS-07
CFDA Number	93.558, 93.714, and 93.716
Program Name	Temporary Assistance for Needy Families Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G0802TNTANF, G0902TNTANF, G1002TNTANF, G1102TNTANF, G1001TNTAN2, G1002TNTAN2
Federal Award Year	2008 through 2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	\$1,437

The Department of Human Services once again failed to deny Temporary Assistance for Needy Families benefits for participants who failed to cooperate with child support requirements, resulting in federal questioned costs of \$1,437

Finding

As noted in the prior audit, the Department of Human Services (DHS) failed to deny or reduce Temporary Assistance for Needy Families (TANF) benefits when recipients failed to cooperate with federal child support requirements. DHS administers TANF, which is a federal program established for the purpose of providing time-limited assistance to needy families with children. To be eligible for TANF benefits, the head of the family's household must cooperate with child support enforcement efforts, which include both naming the absent parent and assigning child support collections to the state. A TANF recipient is also required to establish paternity, if necessary, and pursue collection of child support from that absent parent. For those TANF recipients who do not cooperate with child support enforcement efforts, federal regulations specify that DHS must deny or reduce recipients' TANF benefits.

Our prior audit finding reported that in fiscal year 2007, the department was subject to a \$1,247,701 penalty by the United States Department of Health and Human Services resulting from the previous findings reported for the periods July 1, 2000, through June 30, 2005. Management concurred with the prior audit findings and created a unit within the Family Assistance Service Center, which is located in Clarksville, Tennessee. This unit was created to monitor and process the cases of TANF recipients who were not cooperating with child support enforcement efforts. The transition of having the staff at this center monitoring and processing these cases was completed on July 1, 2006.

DHS uses the Tennessee Child Support Enforcement System (TCSES) to maintain data for child support enforcement and uses the Automated Client Certification and Eligibility Network for Tennessee (ACCENT) information system to maintain data for TANF recipients. When Child Support Enforcement staff determines that an individual is not cooperating with child support enforcement, this notice of noncooperation is first documented in TCSES; the ACCENT system is then automatically updated, and a system alert is posted to reflect this individual's noncooperation.

We also reported that the Family Assistance Service Center has the responsibility for resolving all noncooperation alerts regarding TANF benefits and uses an ACCENT report showing the system alerts to determine which cases to resolve. However, in the prior audit, we found that these system alerts were not always transferred over to ACCENT. As a result, some instances of noncooperation did not appear on the reports used by the Family Assistance Service Center and 34 of the 60 families we tested (57%) continued to receive \$21,333 in TANF benefits after the benefits should have been denied, which we reported in that prior finding. According to the Field Supervisor at the Family Assistance Service Center, the system alerts were not always transferred due to programming problems with the interface between TCSES and ACCENT, which is maintained by the department's Division of Information System. In response to the prior audit finding, management concurred with the finding and stated the following:

Based upon discussions with auditors from the Comptroller's staff during fieldwork, we have created a new report that comes directly from the Tennessee Child Support Enforcement System (TCSES). By utilizing this report, rather than relying on the interface between the Automated Client Certification and Eligibility Network for Tennessee (ACCENT) and TCSES, we are assured of receiving all of the proper non-cooperation alerts.

In our current audit, to determine whether DHS had complied with federal regulations, we tested a sample of 60 families' cases. We determined that benefits for four cases (7%) were not reduced or denied as a result of noncooperation with child support enforcement, resulting in questioned costs of \$1,437. For two TANF cases we tested, the recipients were deemed noncooperative with child support enforcement between July 2010 and September 2010, when the department was relying on the noncooperation alerts from TCSES to be sent to ACCENT. In these two cases, ACCENT did not show a system alert. Total known questioned costs for these cases were \$1,437. For the remaining two TANF cases, the recipients were deemed noncooperative with child support enforcement after DHS began using the new TCSES report, but the Family Assistance Service Center did not follow up on the cases. Neither TCSES nor TANF could isolate a population of families receiving TANF who became non-cooperative with child support enforcement during fiscal year ended June 30, 2011. As a result, the amount of possible questioned costs could not be determined for the remaining enrollees not examined.

The Field Supervisor of the Family Assistance Service Center stated that over 4,500 older cases had been identified by TCSES staff after the prior audit testwork and staff at the Family Assistance Service Center could not concurrently process all of the new cases in addition to the older cases. The Field Supervisor also stated that these older cases were completed in May 2011.

According to Title 45, *Code of Federal Regulations* (CFR) 264.30(c), when the department determines that recipients are not cooperating with the child support authority, the department must sanction the recipient by “. . . (1) Deducting from the assistance that would otherwise be provided to the family of the individual an amount equal to not less than 25 percent of the amount of such assistance; or (2) Denying the family any assistance under the program.” The State of Tennessee has elected to deny the family, or assistance unit (AU), any assistance under the program. In addition, according to 45 CFR 264.31(a), the state may be penalized from 1% to 5% of the State Family Assistance Grant if it does not comply with this child support

cooperation requirement. The penalty increases from the first year to the third year of being noncompliant.

The department did include a risk of ineligible individuals receiving benefits from federal programs in its risk assessment and has relied on the Family Assistance Service Center as its control to enforce the child support enforcement requirement for TANF recipients. However, when cases are not identified as noncooperative or are not processed, the department cannot ensure that the noncooperation alerts are either resolved or the benefits are sanctioned. As a result, the state is at risk of federal noncompliance and related federal penalties.

Recommendation

The Director of Family Assistance Policy should ensure that the Family Assistance Service Center is adequately staffed for any increased workload that may arise and should take the necessary steps to ensure that benefits to noncooperative clients are denied. For the cases noted in this finding, the director should immediately address them and take appropriate action. In addition, the director should ensure the controls established to mitigate the risks noted in the finding are effective to ensure all noncooperation alerts are identified and handled promptly.

Management's Comment

We concur. While we would like to be 100 % accurate, it should be noted this is an 85% reduction, from previous years, which demonstrates that our processes are working.

The current audit determined that benefits for four cases were not reduced or denied as a result of non-cooperation. It appears from the findings in the above four cases that the processes currently in place are working. The alerts for two of the cases occurred when the Department was still relying on an old interface that did not show these two alerts. The alerts for the remaining two cases did show up on the new report timely as expected, but the Child Support Non Coop Unit was in the process of cleaning up cases as a result of the previous audit and did not process these timely.

Finding Number	11-DHS-04
CFDA Number	93.563
Program Name	Child Support Enforcement
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G0804TN400, G0904TN4004, G1004TN4004, G1104TN4004, G1104TN4002
Federal Award Year	2008 through 2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Special Tests and Provisions
Questioned Costs	N/A

The Department of Human Services did not comply with federal child support regulations, increasing the risk that caretakers and dependent children may not receive needed financial support

Finding

The Department of Human Services (DHS) did not comply with federal regulations associated with the establishment of child support obligations. Specifically, the department's contractors did not perform child support obligation services for responding interstate cases within the required 90-day time frame. A child support responding interstate case is a case in which the noncustodial parent lives in Tennessee, but the child and custodial parent or guardian live in a different state and DHS has received a request from the initiating state to provide child support services.

DHS is the designated Child Support Title IV-D office; however, enforcement activities are generally contracted out to the Tennessee District Attorneys General Conference or other independent contractors. Although these agencies have day-to-day responsibility for child support enforcement, the Department of Human Services has ultimate responsibility for compliance with federal regulations.

Title 45, *Code of Federal Regulations* 303.4(d), states, "Within 90 calendar days of locating the alleged father or noncustodial parent, regardless of whether paternity has been established, establish an order for support or complete service of process necessary to commence proceedings to establish a support order . . . (or document unsuccessful attempts to service process . . .)."

We reviewed a sample of child support responding interstate cases and found that for 2 of 25 cases tested (8%) the department's independent contractors did not perform child support obligation services in a timely manner. For one case, the noncustodial parent was located on February 14, 2011; however, no action was ever taken by the independent contractor to establish a child support order or serve legal notice on the noncustodial parent in order to begin establishing a child support order. The contractor's period for action began on February 14, 2011, upon locating the noncustodial parent, with the 90-day period ending on May 15, 2011.

On August 11, 2011, this case was closed by the independent contractor at the request of the initiating state. For the other case, the location of the noncustodial parent was known when the case was opened on April 25, 2011. However, no action was taken by the independent contractor within 90 days to establish a child support order or serve legal notice on the noncustodial parent in order to begin establishing a child support order. Legal notice was served on the noncustodial parent on January 24, 2012, 274 days after the noncustodial parent was located. The 90-day period started on April 25, 2011, and ended on July 24, 2011.

The DHS Program Coordinators contacted the Administrators at the independent contractors and confirmed no action was taken on these cases within the required 90-day time frame.

When child support obligation services are not performed within the required federal time frame, there is an increased risk that caretakers and dependent children may be deprived of needed financial support.

Management's risk assessment did not address or mitigate the risk of child support obligation services not being performed within the required federal time frame.

Recommendation

The Assistant Commissioner of Child Support should ensure that child support obligation services are provided within 90 days of locating the noncustodial parent. In order to comply with Title 45, *Code of Federal Regulations* 303.4(d), the independent contractors should establish child support orders or serve legal notice on the noncustodial parents within that 90-day deadline.

The Assistant Commissioner should include the risks noted in this finding in management's documented risk assessment. The risk assessment and the mitigating controls should be adequately documented and approved by the Commissioner.

Management's Comment

We concur. Of the 25 cases sampled, 2 were found in error, resulting in a compliance rate of 92%. The Federal audit compliance rate for the provision of interstate services is 75%. Child Support services substantially exceeded the Federal Standard of 75% in performing interstate services.

The following actions will be taken by the Department's Child Support Program to control the risk of caretakers and dependent children being deprived of needed financial support and to mitigate the risk of not providing child support obligation services within the Federal time frame.

- An information memorandum (IM) regarding the audit finding will be developed to ensure compliance with responding to interstate service needs.
- In order to mitigate risks supervisory staff will be monitoring interstate reports on a monthly basis. Monthly monitoring will be documented and made available to all appropriate parties for needed actions.
- Supervisory staff will leverage the Tennessee Child Support Enforcement System (TCSES) to monitor timelines of all cases including responding interstate cases to minimize risk.
- Field Operations will provide monthly oversight of child support contractor activities regarding interstate services.
- Field Operations will target interstate action on monthly site case reading activities.

Finding Number	11-DHS-10
CFDA Number	93.568
Program Name	Low-Income Home Energy Assistance
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G09B1TNLIEA, G10B1TNLIEA, G11B1TNLIEA
Federal Award Year	2009 through 2011
Finding Type	Significant Deficiency, Material Weakness, and Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles- Material Weakness and Noncompliance Eligibility- Material Weakness and Noncompliance Procurement and Suspension and Debarment-Significant Deficiency Subrecipient Monitoring- Material Weakness and Noncompliance
Questioned Costs	\$1,150,550

The Department of Human Services did not ensure the subrecipients followed the federal laws and regulations and the department's state plan for the Low-Income Home Energy Assistance Program, resulting in federal questioned costs totaling \$1,150,550 and increased risk of fraud, waste, abuse, and additional noncompliance

Finding

As the pass-through agency, the Department of Human Services (DHS) did not ensure the subrecipients followed the state plan for the Low-Income Home Energy Assistance program (LIHEAP) as required by federal regulations, resulting in federal questioned costs totaling \$1,150,550.

LIHEAP is a federal block grant awarded to states to help low-income people meet the costs of home energy (defined as heating and cooling of residences), increase their energy self-sufficiency, and reduce their vulnerability resulting from energy needs. The target population for this program is low-income households, especially those with the lowest incomes and the highest home energy costs or needs in relation to income, taking into account family size. Additional targets are low-income households with members who are especially vulnerable, including the elderly, persons with disabilities, and young children. For fiscal year ended June 30, 2011, DHS submitted the Federal Application for Funding (State Plan) to the United States Department of Health and Human Services (HHS), who authorized their funding.

As the pass-through entity for LIHEAP, DHS is responsible for advising subrecipients and monitoring the subrecipients' activities to ensure that federal awards are used for authorized purposes and in accordance with the State Plan.

DHS contracted with the following 19 subrecipients to administer LIHEAP:

- Blount County Community Action Agency (Blount)
- Bradley-Cleveland Community Services Agency (Bradley)
- Chattanooga Human Services Department (Chattanooga)
- Clarksville-Montgomery County Community Action Agency (Clarksville)
- Delta Human Resource Agency (Delta)
- Douglas-Cherokee Economic Authority (Douglas)
- East Tennessee Human Resource Agency (East Tennessee)
- Highland Rim Economic Corporation (Highland Rim)
- Knoxville-Knox County Community Action Committee (Knoxville)
- Metropolitan Action Commission (Metro)
- Mid-Cumberland Community Action Agency (Mid-Cumberland)
- Mid-East Community Action Agency (Mid-East)
- Northwest Tennessee Economic Development Council (Northwest)
- Shelby County Community Services Agency (Shelby)
- South Central Human Resource Agency (South Central)
- Southeast Tennessee Human Resource Agency (Southeast)
- Southwest Human Resource Agency (Southwest)
- Upper Cumberland Human Resource Agency (Upper Cumberland)
- Upper East Tennessee Human Development Agency (Upper East)

Applicants seeking to obtain LIHEAP assistance under the program must apply at the subrecipient which serves their location. A client must complete an application and declare their income; household size, including the age and disability of all members; and energy burden. Based on the information provided on the application, the subrecipient assigns point values, called priority points, which are used to determine the dollar value of the assistance the applicant receives. Points are assigned based on the following areas: income based on family size; energy burden; and vulnerability of household members. Depending on the total number of priority points, a client can qualify for one of three benefit levels. According to the State Plan, a client can qualify for:

- \$300 (or \$150 for clients that live in public housing and only pay utility “overages” (i.e., the difference between the applicant’s actual energy costs and their public housing allowance),
- \$450 (or \$225 for clients that live in public housing and only pay utility “overages”),
or
- \$600 (or \$300 for clients that live in public housing and only pay utility “overages”).

A client cannot receive more than \$600 in assistance in one year. In addition, a client can apply for Crisis Assistance but must present a notice of loss of utilities and documentation of an uncontrollable circumstance to qualify. According to the DHS’ State Plan, p. 26, an energy crisis is defined as a “[s]udden, unexpected, uncontrollable loss of financial resources; life threatening conditions or any circumstances that threaten the stability of the household if energy

assistance is not provided.” Benefit amounts paid under Crisis Assistance are the same as regular assistance described above. The subrecipient pays the clients’ energy providers directly.

To determine DHS’ and the subrecipients’ compliance with the LIHEAP requirements, we reviewed a sample of 170 client files and discussed the eligibility and payment processes with the LIHEAP Coordinator at each subrecipient. Based on our review, we found that the subrecipients

- did not document supervisory review of potential client applications;
- did not calculate client priority points correctly;
- did not maintain support for client and household members’ social security numbers, which is required by Fiscal Year (FY) 2011 LIHEAP Program Overview;
- did not ensure client files contained adequate documentation of crisis assistance payments;
- did not provide crisis assistance within 48 hours in accordance with the federal law; and
- paid energy providers incorrect amounts.

In addition, DHS management did not have internal controls in place to ensure energy providers were not suspended or debarred in accordance the State Plan and federal regulations as discussed later in the finding.

Supervisory Review of Applications Not Documented

Based on our review of client files, we found that LIHEAP Coordinators at ten subrecipients (Blount, Chattanooga, Clarksville, Delta, Douglas, East Tennessee, Highland Rim, Southeast, Southwest, and Upper Cumberland) did not ensure that the supervisory review of client applications was documented for 69 of 170 client files (41%). Supervisors review client applications to ensure staff properly determined client eligibility and benefit level.

DHS management did not specifically identify and assess the risk of the errors noted above in their risk assessment.

Supervisory Review of Applications Not Documented

Agency	Blount	Bradley	Chattanooga	Clarksville	Delta	Douglas	East Tennessee	Highland Rim	Knoxville	Metro	Mid-Cumberland	Mid-East	Northwest	Shelby	South Central	Southeast	Southwest	Upper Cumberland	Upper East	Total
# of Files Reviewed	5	5	14	6	5	8	8	5	9	10	8	5	17	14	9	7	10	10	15	170
# of Errors Noted	4	0	14	6	5	8	8	5	0	0	0	0	0	0	7	2	10	0		69
Total Questioned Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Client Priority Points Not Calculated Correctly

Based on our testwork, we noted that LIHEAP Coordinators at eight subrecipients (Chattanooga, East Tennessee, Metro, Mid-Cumberland, Northwest, Southeast, Upper Cumberland, and Upper East) did not calculate 17 of 170 clients' priority points (10%) correctly. We recalculated the priority points for each client to determine whether subrecipients were awarding clients' LIHEAP benefits in accordance with the federal guidelines. Based on our recalculations at two subrecipients (Mid-Cumberland and Upper East), we found that the recalculated priority points for nine clients indicated that the client should have received a lower benefit. Because the subrecipients incorrectly calculated benefits and ultimately overpaid energy providers, we are reporting federal questioned costs of \$450. At the five remaining subrecipients (Chattanooga, East Tennessee, Metro, Northwest, Southeast, and Upper Cumberland), we found that the subrecipients calculated and paid appropriate benefits for the remaining eight clients.

Not calculating priority points correctly increases the risk that clients may receive more benefits than they are entitled while other eligible individuals are turned away because funds were not available. Management did not identify and assess the risk of the errors noted above in their risk assessment.

Client Priority Points Not Calculated Correctly

Agency	Blount	Bradley	Chattanooga	Clarksville	Delta	Douglas	East Tennessee	Highland Rim	Knoxville	Metro	Mid-Cumberland	Mid-East	Northwest	Shelby	South Central	Southeast	Southwest	Upper Cumberland	Upper East	Total
# of Files Reviewed	5	5	14	6	5	8	8	5	9	10	8	5	17	14	9	7	10	10	15	170
# of Errors Noted	0	0	1	0	0	0	1	0	0	1	4	0	1	0	0	1	0	3	5	17
Total Questioned Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$150	\$450

See the Summary of Questioned Costs below.

Client Files Did Not Contain Support of Social Security Numbers

Based on our review of client files, we found that LIHEAP Coordinators at two subrecipients (Chattanooga and Northwest) did not ensure client files contained required eligibility documentation for 6 of 170 client files (4%). According to the FY 2011 LIHEAP Program Overview, as part of the Eligibility requirements, "The client's and all household members' [Social security numbers] SSN will be collected and verified..." In addition, according to the LIHEAP Application for Assistance, "Assistance will be denied due to an applicant's refusal or inability to furnish all household members' Social security numbers and Verification."

Based on our review, the LIHEAP Coordinators did not maintain support for social security numbers of clients and household members in the client files. At Chattanooga and Northwest, the LIHEAP Coordinators did not maintain documentation of all household members' social security numbers for six files. We questioned the benefit amounts paid for the

files without the required eligibility documentation, resulting in federal questioned costs of \$2,100.

Not documenting or maintaining support for social security numbers of clients and their household members increases the risk of ineligible clients receiving LIHEAP benefits. The department's risk assessment addressed the risk of inadequate documentation from a federal program recipient to verify eligibility. However, the control they listed is not specific enough to address these risks.

Client Files Did Not Contain Support of Social Security Numbers

Agency	Blount	Bradley	Chattanooga	Clarksville	Delta	Douglas	East Tennessee	Highland Rim	Knoxville	Metro	Mid-Cumberland	Mid-East	Northwest	Shelby	South Central	Southeast	Southwest	Upper Cumberland	Upper East	Total
# of Files Reviewed	5	5	14	6	5	8	8	5	9	10	8	5	17	14	9	7	10	10	15	170
# of Errors Noted	0	0	1	0	0	0	0	0	0	0	0	0	5	0	0	0	0	0	0	6
Total Questioned Costs	\$0	\$0	\$300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,800	\$0	\$0	\$0	\$0	\$0	\$0	\$2,100

Inadequate Documentation to Support Crisis Assistance Payments

Of the 170 client files reviewed, 49 files (29%) were classified as Crisis Assistance. Based on our testwork, we found that the LIHEAP Coordinators at four subrecipients (Knoxville, South Central, Southwest, and Upper Cumberland) did not ensure client files contained adequate crisis assistance documentation for 5 of 49 client files tested (10%). According to the State Plan, pp. 13-14, to qualify for Crisis Assistance, the client must present a loss of utilities and one additional uncontrollable circumstance including, but not limited to,

- Household has an unanticipated medical or major household expense...;
- Household wage earner with at least a year of stable work history has lost his/her job within the last twelve (12) months...;
- Household wage earner has left the home within the past forty-five (45) days...;
- Household wage earner is unable to work due to illness and does not receive sick leave or time away from work...; and
- Household has a non-functioning or malfunctioning heating system.

At South Central, we found that the LIHEAP Coordinator approved two clients for crisis assistance payments although the documentation in the clients' files did not meet the definition of an uncontrollable circumstance. At Knoxville, Southwest, and Upper Cumberland, the LIHEAP Coordinators did not obtain and/or maintain the required documentation of the clients' uncontrollable circumstance. We did find that these clients did qualify for regular LIHEAP. In addition, the four subrecipients had excess funds available at the end of the program year. As a result, no applicants would have been turned away for crisis assistance as a result of these clients receiving benefits. Therefore, we did not question the costs relating to these clients.

Not obtaining the appropriate documentation for crisis assistance increases the risk that ineligible clients are receiving LIHEAP while preventing others from having access to these funds. The department's risk assessment addressed the risk of inadequate documentation from a federal program recipient to verify eligibility; however, controls were not effective to ensure documentation was properly obtained and maintained.

Inadequate Documentation to Support Crisis Assistance Payments

Agency	Blount	Bradley	Chattanooga	Clarksville	Delta	Douglas	East Tennessee	Highland Rim	Knoxville	Metro	Mid-Cumberland	Mid-East	Northwest	Shelby	South Central	Southeast	Southwest	Upper Cumberland	Upper East	Total
# of Files Reviewed	2	4	0	1	1	1	1	3	6	4	0	10	4	3	0	2	4	2		49
# of Errors Noted	0	0	0	0	0	0	0	1	0	0	0	0	0	2	0	1	1	0		5
Total Questioned Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Crisis Assistance Not Provided Within 48 Hours

Based on our review of client files at the subrecipients, we found that the LIHEAP Coordinators at six subrecipients (Metro, Mid-Cumberland, Northwest, Shelby, South Central, and Upper Cumberland) did not provide crisis assistance within 48 hours for 16 of 49 client files reviewed (33%). According to Title 42, *United States Code*, 94.8623(c)(1), the coordinators should, “. . . not later than 48 hours after a household applies for energy crisis benefits, provide some form of assistance that will resolve the energy crisis if such household is eligible to receive such benefits . . .” Depending on the subrecipient, the LIHEAP Coordinator can make an actual payment to the energy provider or pledge a payment to the energy provider, where payment will be made at a later date. Based on the federal regulation the coordinator should do either option within 48 hours. At Mid-Cumberland and Shelby, the LIHEAP Coordinator did not document how long it took to resolve the clients' crises for six files we reviewed. At Metro, Mid-Cumberland, Northwest, South Central, and Upper Cumberland, the LIHEAP Coordinators paid or pledged to pay to resolve the clients' crises between one and 16 days late.

Not meeting crisis assistance within 48 hours increases the risk that clients will not receive assistance timely. Management has not identified and assessed the risk of the errors noted in their risk assessment.

Crisis Assistance Not Provided Within 48 Hours

Agency	Blount	Bradley	Chattanooga	Clarksville	Delta	Douglas	East Tennessee	Highland Rim	Knoxville	Metro	Mid-Cumberland	Mid-East	Northwest	Shelby	South Central	Southeast	Southwest	Upper Cumberland	Upper East	Total
# of Files Reviewed	2	4	0	1	1	1	1	3	6	4	0	10	4	3	0	2	4	2		49
# of Errors Noted	0	0	0	0	0	0	0	0	1	3	0	5	4	2	0	0	1	0		16
Total Questioned Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Energy Providers Were Paid Incorrect Amounts

During our review of the subrecipients' LIHEAP payments made during the fiscal year ended June 30, 2011, we found that the LIHEAP Coordinators at three subrecipients (Chattanooga, Northwest, and Upper East) paid energy providers amounts that did not agree with benefit levels in the State Plan. According to the State Plan, p. 21, "Benefits levels are established by the State and used by all LIHEAP agencies in the State of Tennessee. Benefit levels must be established in ranges . . . Benefit levels are uniform statewide." The State Plan provided a three-tier chart of benefit levels as noted above.

During our review of Chattanooga's payments to energy providers, we found that the LIHEAP Coordinator made 2,006 payments that did not agree with the benefit levels in the State Plan. In order to determine whether the payments were overpayments or underpayments, we requested the details of each client's assistance. However, to obtain the requested information Chattanooga needed its software vendor to run a special report, for which Chattanooga would not pay. As a result, we could not determine if the amounts were underpayments or overpayments.

Based on our testwork performed on a sample of 14 client files at Chattanooga, we found that for 12 of 14 client files (86%), the LIHEAP Coordinator overpaid energy providers. This resulted in known questioned costs of \$2,150. These payments are summarized below.

Amount Chattanooga Paid	Amount Chattanooga Should Have Paid	Difference	# of Files Affected	Questioned Costs
\$600	\$450	\$150	6	\$900
\$450	\$300	\$150	1	\$150
\$550	\$300	\$250	4	\$1,000
\$550	\$450	\$100	1	\$100
Total			12	\$2,150

See the Summary of Questioned Costs below.

We reviewed a listing of all Northwest's Crisis Assistance payments to energy providers for fiscal year ended June 30, 2011, and compared the payments to the clients' priority points to ensure energy providers were paid appropriately. For 166 payments, the coordinator overpaid the energy providers by \$50 for each payment, resulting in a total overpayment of \$8,300. We questioned the overpayment the Northwest coordinator paid to the energy providers, resulting in federal questioned costs of \$8,300.

We reviewed a listing of all Upper East's LIHEAP payments during the fiscal year ended June 30, 2011, and compared the payments to energy providers to the clients' priority points. Based on our review and comparison, we found that for 17,271 of 17,760 payments (97%), the LIHEAP Coordinator paid energy providers an amount that did not agree with benefit levels in the State Plan. For 5,482 payments, the coordinator overpaid energy providers by \$100 for each payment, resulting in an overpayment of \$548,200. For 11,787 payments, the coordinator overpaid energy providers by \$50 for each payment, resulting in an overpayment of \$589,350. In addition, for two payments, the coordinator underpaid energy providers \$300. We questioned the amounts the coordinator overpaid the energy providers, resulting in federal questioned costs of \$1,137,550.

Because the three subrecipient coordinators did not follow the established uniform benefit levels, the subrecipients did not have enough resources to serve additional clients who may have been eligible for assistance.

DHS management did not identify and assess the risk of the errors noted above in their risk assessment.

DHS and the Subrecipients Did Not Have Suspension and Debarment Controls in Place

Based on our review of 80 energy providers' contracts with the subrecipients and discussion with the DHS Director of Community Services Programs, we found that the Director failed to ensure federal suspension and debarment controls were in place. According to the Title 2, *Code of Federal Regulations*, Section 180.300, when the subrecipients enter into a contract with an energy provider, they must ensure the provider is not suspended or debarred by "(a) Checking the EPLS [Excluded Party List System]; or (b) Collecting a certification from that person; or (c) Adding a clause or condition to that covered transaction with that person."

In addition, according to a memorandum entitled "Certification Regarding Debarment, Suspension and Other Responsibility Matters," in the LIHEAP State Plan, DHS management agreed by submitting the State Plan, that they would include a clause in the contract titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion-Lower Tier Covered Transaction," when dealing with subrecipients' energy providers. The clause should have included language that the energy providers certified that they were not debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in transactions by any Federal department or agency. If the energy provider did not certify to these statements, the energy provider should have provided an explanation.

The Director of Community Services Programs provided the subrecipients with an energy provider contract template to use when they contracted with energy providers. Based on our review of the energy provider contracts, we found that the Director of Community Services Program did not include the required suspension and debarment clause. Furthermore, the subrecipients did not have documentation that they verified whether the energy providers were suspended or debarred. We reviewed the EPLS and determined that the 80 energy provider contracts with the subrecipients we reviewed were not suspended or debarred by the federal government.

Not having suspension and debarment controls in place increases the risk that subrecipients improperly pay suspended or debarred energy providers on behalf of LIHEAP clients. The department addressed risk of payments to energy providers (vendors) who are suspended or debarred in their risk assessment. However, DHS nor the subrecipients had controls in place to mitigate the risk.

DHS and the Subrecipients Did Not Have Suspension and Debarment Controls in Place

Agency	Blount	Bradley	Chattanooga	Clarksville	Delta	Douglas	East Tennessee	Highland Rim	Knoxville	Metro	Mid-Cumberland	Mid-East	Northwest	Shelby	South Central	Southeast	Southwest	Upper Cumberland	Upper East	Total
# of Files Reviewed	4	5	14	5	5	8	7	4	8	10	8	5	17	14	9	5	10	9	15	162
# of Errors Noted	4	5	14	5	5	8	7	4	8	10	8	5	17	14	9	5	10	9	15	162
# of Vendors Impacted	2	2	5	1	3	7	6	2	1	1	6	4	9	1	6	3	6	7	8	80
Total Questioned Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Summary of Questioned Costs

Deficiency	Amount Questioned
Supervisory Review of Applications Not Documented	\$ 0
Client Priority Points Not Calculated Correctly	450
Client Files Did Not Contain Support of SSNs	2,100
Inadequate Documentation to Support Crisis Assistance Payments	0
Crisis Assistance Not Provided Within 48 Hours	0
Energy Providers Paid Incorrect Amounts	1,148,000
No Suspension and Debarment Controls in Place	0
Total	\$ 1,150,550

Our testwork included a review of 170 client files representing \$69,075 of LIHEAP benefits from a total population of \$77,258,163.83. Based on the results of our original sample testwork, we questioned costs totaling \$4,700. Based on our inquiry and nonsample testwork, we questioned \$1,145,850. Total questioned costs for all work performed totaled \$1,150,550.

Recommendation

As the pass-through entity, the Department of Human Services is responsible for administering LIHEAP. The department must communicate all program requirements to all parties involved to perform their duties in accordance with federal regulations.

Because the Commissioner and department management must rely on subrecipients to carry out this program, and due to the potential for noncompliance, fraud, waste, and abuse in the program, it is imperative that management continue to carefully monitor the work performed by subrecipients to identify and mitigate these risks. The Director of Community Services Programs should ensure

- subrecipients document the supervisory review of client applications;
- subrecipients calculate priority points correctly;
- subrecipients maintain support for social security numbers for clients and household members in the client files;
- subrecipients pay Crisis Assistance payments in accordance with the State Plan and within 48 hours;
- subrecipients pay energy providers according to the uniform benefit level; and
- subrecipients document their verification of energy provider suspension or debarment status and the energy provider contracts contain the required suspension or debarment clause.

Management's Comment

We concur in part.

Supervisory Review of Applications Not Documented

We do not agree the subrecipients failed to review the application, but do agree they failed to properly document their review. It is important to note that none (0) of the 69 cited applications were for ineligible clients.

Client Priority Points Not Calculated Correctly

Based on information received from the Auditor, we found that two clients received an overpayment. One was underpaid and the remaining six clients received proper benefits.

Client Files Did Not Contain Support of Social Security Numbers

There is no indication that the clients' files did not have correct Social Security Numbers (SSN). We agree the documentation was not properly in the file, but this was not an unallowable cost which would result in questioned costs.

Inadequate Documentation to Support Crisis Assistance Payments

The State will remind sub-grantees regarding the importance of maintaining documentation of uncontrollable circumstances in order to be considered as a crisis candidate.

Crisis Assistance Not Provided Within 48 Hours

The State agrees that crisis assistance must be provided within 48 hours. The State has directed the sub-grantees regarding the requirement to provide crisis assistance within 48 hours. For additional continuity, this topic will be the subject of a numbered memorandum and will also be discussed at our annual planning meetings with all sub-grantees.

Energy Providers Were Paid Incorrect Amounts

We do not agree that these are unallowable costs. When this issue was brought to the Department's attention, we sought and received guidance from our federal funding source. They have said we have handled this issue appropriately.

DHS and the Sub-recipients Did Not Have Suspension and Debarment Controls in Place

It should be noted that no vendor of the 80 reviewed by the Comptroller was found to be suspended or debarred. The State will provide guidance to the sub-grantees that the Suspension and Debarment language must be included in their contracts with energy vendors.

Auditor's Rebuttal

Energy Providers Were Paid Incorrect Amounts

Management's comment does not include the complete details of the federal grantor's opinion regarding the overpayments to energy providers.

Management sought guidance from the program officer at the U. S. Department of Health and Human Services (DHHS), Administration for Children and Families, Office of Community Services. However, based on our review of the correspondence, DHS management did not clearly inform the DHHS program officer that DHS's subrecipients paid the energy providers amounts that were different from the approved benefit levels specifically identified in the DHS State Plan. The DHS State Plan is approved by DHHS Administration for Children and Families.

DHS management contacted the Office of Inspector General (OIG) in DHHS to obtain their agreement with the program officer's determination regarding the differing payments. OIG also contacted our office to gain a complete understanding of the finding. We and DHS management were informed that any payments made to energy providers which differed from the approved State Plan were federal questioned costs.

Finding Number	11-DHS-08
CFDA Number	93.575, 93.596, and 93.713
Program Name	Child Care and Development Fund Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Human Services
Grant/Contract No.	G0901TNCCDF, G1001TNCCDF, G1101TNCCDF, G0901TNCCD7
Federal Award Year	2009 through 2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Questioned Costs	\$14,834

The department's licensing staff did not follow the procedures in place to communicate adjusted licensing information to fiscal staff, which resulted in unrecovered overpayments to a child care provider and questioned costs of \$14,834

Finding

The Department of Human Services' Director of Adult and Child Care Licensing did not follow the procedures in place to communicate adjusted licensing information to the department's fiscal staff, resulting in overpayments to a child care provider and federal questioned costs totaling \$14,834.

The Department of Human Services (DHS) administers the Child Care Certificate Program under the Child Care and Development Fund Cluster, which provides subsidies to low-income families to afford quality child care while parents work and/or attend school. The Adult and Child Care Licensing unit perform licensing visits to child care providers who participate in the Child Care Certificate Program to determine whether the providers meet child care licensing requirements. During the licensing process, the licensing unit can qualify providers for the Star-Quality Child Care Program. According to *A Parent's Guide to Choosing Quality Child Care in Tennessee*, the Star-Quality Child Care Program is a voluntary program for child care providers who have gone beyond the state's minimum requirements for child care. As part of the licensing process, providers can earn from one to three stars. Each star represents additional requirements above the minimum standard. The more stars a provider has the higher the reimbursement rates will be for the children in the Child Care Certificate Program.

Fiscal staff uses the Tennessee Child Care Management System (TCCMS) to enter the child attendance information obtained from the *Enrollment and Attendance Verification* (EAV) form submitted by the child care providers. The Adult and Child Care Licensing unit uses the Regulated Adult and Child Care System (RACCS) to record the notes of the licensing visits and the provider's star rating. RACCS transmits the provider's star rating to TCCMS. TCCMS then calculates provider payments using the child attendance information obtained from the EAV form and the provider's star rating. When adjustments are made to a provider's star rating, fiscal staff must adjust the amount the provider is reimbursed. However, the licensing unit did not

follow the procedures in place to let the fiscal staff know when to adjust the reimbursement rates of child care providers when there are changes in their star rating.

During our testwork on a sample of 60 child care payments, we found that the licensing staff had adjusted one provider's star rating in RACCS from a three-star rating to a zero-star rating on August 18, 2011, and retroactively applied the rate to November 1, 2010; however, the fiscal staff did not know to adjust the provider's reimbursement rate downward accordingly. Based on discussion with an Accountant III in fiscal services, when star ratings are adjusted downward and retroactively applied, fiscal staff must recover overpayments created based on the change in the star rating. Also, based on further discussion with the Director of Adult and Child Care Licensing and the Accountant III, the adjustment of the star rating was not communicated to fiscal staff. Furthermore, the Programmer Analyst Supervisor for TCCMS stated that the fiscal staff can run a *Provider Star Rating Report* in TCCMS to determine if payments made to a child care provider need to be adjusted. The Accountant III agrees that this report can be run if they are notified by the licensing unit and given the name of the specific child care provider.

We recalculated all payments to this provider for the period November 1, 2010, to June 30, 2011, using the adjusted star rating. The Fiscal Director of Child Care and Adult and Community Services and the Accountant III in fiscal services paid the provider \$83,380 using the original star rating. Based on our calculations, after the change in the star rating, we determined that fiscal staff should have paid the provider \$68,546. Since fiscal services was not aware of the star rating adjustment and had not started the recovery process until we informed them, we questioned the difference of \$14,834, which was overpaid. Failure to communicate retroactive adjusted licensing information for providers increases the likelihood of unrecovered overpayments.

Management and staff have not identified and assessed the risk of the errors noted above in its risk assessment.

Recommendation

The Director of Adult and Child Care Licensing should ensure that the licensing unit follows procedures to effectively communicate changes in licensing information. When changes in licensing information occur, the Fiscal Director of Child Care and Adult and Community Services should ensure necessary reimbursement adjustments are made and should ensure that overpayments to child care providers are recovered.

Management should address the risk of the errors noted in this finding in management's documented risk assessment. The risk assessment and the mitigating controls should be adequately documented and approved by the Commissioner.

Management's Comment

We concur. Child and Adult Care Licensing have procedures in place to communicate adjusted licensing information to Fiscal Services, but we acknowledge they were not followed in this case. Bulletin CCL-07-012 instructs licensing staff to e-mail Fiscal Services if an adjustment to the Star Bonus Payments is necessary due to a change in the provider's final Star Rating after a level two or a level three review. In addition, it has been communicated to licensing staff via e-mail that Fiscal Services should be notified of all changes in Star Ratings that require an adjustment. We will revise the bulletin CCL-07-012 to include explicit instructions about communicating with Fiscal Services whenever a change in Star Rating that requires an adjustment occurs and ensure that this is effectively communicated with licensing staff.

Finding Number	11-DCS-01
CFDA Number	93.658 and 93.659
Program Name	Foster Care – Title IV-E Adoption Assistance
Federal Agency	Department of Health and Human Services
State Agency	Department of Children’s Services
Grant/Contract No.	1101TN1403, 1101TN1405, 1001TN1407, 1101TN1407, 1101TN1402, 1101TN1404, 0901TN1401, 1001TN1401, 1101TN1401
Federal Award Year	2010 and 2011
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Activities Allowed or Unallowed Allowable Costs/Cost Principles Eligibility
Questioned Costs	\$17,239 (Foster Care – Title IV-E - 93.658) \$8,262 (Adoption Assistance - 93.659)

The Tennessee Family and Child Tracking System used by the Department of Children’s Services does not function as intended, and as a result, the department has not paid providers correctly and has not ensured that payments were funded by the correct source, resulting in federal questioned costs of \$25,501

Finding

On August 26, 2010, the Department of Children’s Services (DCS) implemented a new state-wide information system, the Tennessee Family and Child Tracking System (TFACTS). The department uses TFACTS to calculate payments for open placement records associated with eligible foster-care and adoptive children. TFACTS sends files with this information to Edison, so that payments can be issued and recorded in the state’s accounting system.

An Independent Verification and Validation readiness review dated August 18, 2010, conducted by an independent contractor stated that they do “not recommend that the State proceed with the statewide implementation of TFACTS at this time.” The review identified, as of August 16, 2010, 71 Priority 1 and 111 Priority 2 defects in the TFACTS system, which limited the effectiveness of the system’s operations. Per the Independent Verification and Validation readiness review, Priority 1 defects are defined as those that totally shut off operations in a specific functional area and need to be fixed immediately in order to recommence operations. Priority 2 defects are defined as those that did not shut down a functional area but could have an adverse impact on the work process or data if left unresolved.

Based on our work, we found that, as a result of problems with TFACTS, the department did not prevent the issuance of improper payments during the fiscal year. We also found that the foster parent phone-in system, which might have prevented some improper payments, was rendered inoperable during the TFACTS implementation. As of June 30, 2011, a number of

these controls were still not fully operational and reliance on other compensating controls in the payment process was high.

As a part of our audit, we examined a random sample of federal foster care maintenance payments for 60 children and reviewed the related files. We found that four of 60 payments sampled (7%) were not allowable for federal funding. Federal questioned costs specifically related to the payments in our sample are \$1,175, including \$100 of American Recovery and Reinvestment Act of 2009 (ARRA) funds. The total amount of Title IV-E Foster Care payments in our sample are \$26,956. The total federal share of the Title IV-E Foster Care Program maintenance payments for the current period exceeded \$22,100,000. Specifics as to the sample of Title IV-E Adoption Assistance Program payments are discussed in finding 11-DCS-02. Additional questioned costs are included in this finding as they came to our attention while reviewing the cases associated with our sample.

TFACTS Adjustment Functionality Not Operating

Changes during the period in case information related to eligibility, placement, or payment rates may not have been recognized by TFACTS. The system was intended to automatically adjust previous payments to reflect the updated information. However, management stated that TFACTS is currently unable to recognize these adjustments and generate a corresponding transaction. As a result, the department missed issuing some payments and made others for incorrect amounts.

Missing Payments Process

To compensate for missed payments, management instituted a process to identify placements with no related payment. In cases where a payment was not generated in TFACTS, management manually enters the payment in TFACTS, extracts the data, formats the extracted file into a format that can be accepted by Edison, and then resubmits it to Edison for payment.

Underpayments Process

In cases where the parents are underpaid, management enters a partial payment in TFACTS. To accomplish this, management creates a payment with one unit and uses the original dates of service from the initial payment. To determine the amount of the payment, TFACTS multiplies units times the daily rate plus an amount recorded in a field called “basic cost.” The daily rate used in this calculation is the daily rate for the child. The “basic cost” is the difference between the desired payment and the daily rate.

Both of these processes lead to unnecessary time being spent manually formatting or entering data and increase the risk that payment data could be intentionally or unintentionally changed. Additionally, when management corrected for underpayments, the number of units attributed to the child was distorted by the extra unit.

Funding Errors

Improper Payments for 18 Year Olds

TFACTS payments are funded from a number of sources, including the federal IV-E grants. Child eligibility for a particular funding source may vary during the time the child is in DCS custody, and certain events may specifically trigger changes in the funding source of a payment. When a child reaches the age of 18, additional documentation is required to continue IV-E funding. If this documentation is not provided, then the payments should not continue to be funded by IV-E. The required documentation must include a continuing agreement between DCS and the young adult to provide post-custody services within the policies and procedures established, and an Age Redetermination of Reimbursability form. The Age Redetermination of Reimbursability form is an internal TFACTS screen which summarizes the young adult's continuing eligibility for IV-E funding. This screen should be completed prior to the end of the month of the child's eighteenth birthday. The form must also authorize the continued IV-E eligibility. If it does not, then TFACTS should trigger a change in the funding source for the payments.

During our review, we found this funding shift did not always occur. In our sample testwork, we identified two payments where IV-E funding continued even though the Age Redetermination of Reimbursability form documented that the child should not continue to receive Foster Care - IV-E funding. Federal costs of \$655, including \$55 of ARRA funds, are questioned for these two payments. The amount ineligible for Title IV-E Foster Care funding attributable to all other payments for these cases totals \$1,196 in federal questioned costs, which includes \$60 of questioned costs from ARRA funds.

Placement Not Closed Timely

For another payment in our sample testwork, the placement record was not closed in a timely manner when a child left state custody. Federal questioned costs for this payment are \$520, which includes \$45 of ARRA funds. The case had five other payments that were also improperly issued during the fiscal year. These payments total \$1,513 in federal questioned costs, which includes \$120 of ARRA funds.

For another payment that came to our attention, regional staff did not close the Foster Care placement record in a timely manner. Failure to close the placement record resulted in additional payments from the Foster Care program in a period when the child's placement was also funded by the Guardianship Assistance program. Foster Care funds were expended for 12 additional days after the other placement started, resulting in federal questioned costs of \$236, which includes \$20 of questioned costs from ARRA funds.

Duplicate Payments

During the audit, we observed cases where multiple payments were made for the same child and the same dates of service. According to management, the implementation of TFACTS, as well as data conversion from legacy systems, caused the duplicate payments.

Toward the end of the audit period, management implemented a compensating control intended to identify duplicate payments that had occurred and require recovery. This control, while effective in identifying a large number of duplicate payments already made, does not prevent duplicate payments. To provide evidence of the implemented control, management provided a database of overpayments identified through this control. As of October 7, 2011, management had identified \$678,314 of duplicate payments. The database provided to us by management does not differentiate pre-TFACTS system payments funded solely with state funds and those funded with federal funds. Therefore, we could not determine the exact federal portion. We did determine that at least \$132,694 of federal funding was included in the overpayments made by DCS during the fiscal year. As of October 7, management had sent back all but \$21,381 to the federal government. Of that total, \$8,262 is attributable to IV-E funding for the Adoption Assistance program, including \$475 of ARRA funding. The remaining \$13,119 is attributable to the IV-E funding for the Foster Care program, including \$924 of ARRA funding.

Recommendation

The Commissioner of the Department of Children's Services should take the necessary steps to ensure that the defects in TFACTS discussed in this finding are corrected to ensure the system is functioning as intended. The Commissioner should also ensure that all overpayments are properly identified, collected, and reimbursed to the Department of Health and Human Services.

Management's Comment

We concur.

The IV&V Readiness Review identified 71 Priority 1 and 111 Priority 2 defects as of August 16, 2010, in the TFACTS. However, IV&V did not perform due diligence and conduct an analysis of those Priority 1 and 2 defects to determine if the defects were in fact properly prioritized by the DCS and what would be the severity of the impact if those defects were not repaired prior to go-live. The DCS assessment conducted during November and December 2011 has determined that there was deficient functionality at the time of go-live; however, the 182 defects identified by IV&V on August 16 paint a somewhat skewed picture of readiness for go-live as a result of IV&V not performing a thorough analysis of those defects.

The DCS assessment showed that of the 182 defects identified on August 16, 35 of the 71 Priority 1 defects and 50 of the 111 Priority 2 defects had already been repaired by go-live. However, the validity of the prioritization of the remaining priority 1 or 2 defects is in question due to the improper prioritization and fundamental lack of control over this process by DCS during this time. Clearly if these 182 were true Priority 1 or 2 defects by the criteria above, then TFACTS should not be functioning at all.

During February 2012, DCS will be conducting a thorough analysis of each defect logged that is still in an active status in “Team Track” to determine their correct priority and category so that the most critical deficiencies are addressed first going forward.

The Foster Parent Phone-In functionality is now fully operational in TFACTS. As of March 1, 2012, payments will not be generated in instances where foster parents do not verify the placement via the Phone-In system.

The department has refunded the questioned costs of \$1,175 for federal foster care maintenance payments as of January 25, 2012, to the Department of Health and Human Services.

TFACTS Adjustment Functionality Not Operating

The Ohio SACWIS is the transfer system that was customized by the vendor in order to fit requirements enumerated in the Tennessee Request for Proposal (RFP) / Contract. This Ohio Transfer system came with Payment Adjustment functionality. However, Fiscal identified more robust payment adjustment requirements during the development of TFACTS than the vendor provided; therefore, the automated adjustment functionality in TFACTS was never used.

This more robust payment adjustment functionality will be completed and delivered after the prioritized bundle of fiscal defects which is currently under development is delivered in February 2012.

Missing Payment Process

Manual payment functionality is now available in TFACTS, and it does not currently occur outside of the system.

Underpayment Process

Defect 17058 has been fixed and deployed to the TFACTS Production environment. The defect was closed on January 20, 2012. TFACTS now automatically calculates the “units” after the user enters the dates of service within the manual payment record.

Funding Errors

Improper Payments for 18 Year Olds

The defect where payments for IV-E funding continued even though the Age Redetermination of Reimbursability form documented that the child should not continue to receive Foster Care – IV-E funding is corrected with the “DCS Fiscal Enhancement Bundle” slated for testing and Release in February 2012. All funding records will be synchronized with their corresponding payment records. This synchronization will occur periodically to ensure updates to a child’s eligibility / reimbursability status match the payment records.

The department has refunded the questioned federal costs of \$655 for Improper Payments for 18-year-olds and the \$1,196 in other federal questioned costs related to these cases as of January 25, 2012, to the Department of Health and Human Services.

Placement Not Closed Timely

In the case of the defect where the Placement Record was not closed in a Timely Manner, TFACTS Customer Care Center staff is now generating reports from TFACTS that will assist field staff in identifying placement records requiring closure. Continuous Quality Improvement (CQI) and Regional Supervisory staffs use these reports and others to monitor timeliness of data entry.

In the case where foster Care Placement Record was not closed in a Timely Manner, TFACTS Customer Care Center staff is now generating reports from TFACTS that will assist field staff in identifying foster care placement records requiring closure. Continuous Quality Improvement (CQI) and Regional Supervisory staffs use these reports and others to monitor timeliness of data entry.

In addition, TFACTS has been enhanced to automatically end a child's placement record, removal record, and Title IV-E Eligibility status when the child's 'Legal Status' is ended. This is an added feature that will reduce the likelihood of overpayments and inaccurate claiming and funding.

The department has refunded the questioned federal costs of \$520 for Placement Not Closed Timely and the \$1,513 in other federal questioned costs related to this case as of January 25, 2012, to the Department of Health and Human Services.

Duplicate Payments

The primary source of a duplicate payment at this time is most often due to untimely placement data entry. Fiscal staff is working to develop a strategy with program placement staff to minimize the delay in timely placements. The department will also have the ability to make payment adjustments with the robust payment adjustment functionality that will be completed and delivered after the prioritized bundle of fiscal defects which is currently under development is delivered in February 2012.

The questioned costs of \$132,694 in the finding have been refunded to the Department of Health and Human Services as of January 18, 2012.

Finding Number	11-DCS-02
CFDA Number	93.659
Program Name	Adoption Assistance
Federal Agency	Department of Health and Human Services
State Agency	Department of Children's Services
Grant/Contract No.	1001TN1403, 1101TN1403, 1101TN1405, 0901TN1407, 1001TN1407, 1101TN1407
Federal Award Year	2010 and 2011
Finding Type	Material Weakness and Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles Eligibility
Questioned Costs	2011 - \$6,776 2012 - \$14

Similar to findings over the past nine years, the Department of Children's Services has made certain adoption assistance payments that were not justified by supporting documentation

Finding

For the year ended June 30, 2011, we found problems with certain adoption assistance payments in the following areas:

- children who were not eligible to receive federally funded adoption assistance,
- enhanced subsidy rates that were not supported, and
- duplicate payments.

The department has had similar findings for the past nine years. The most recent audit finding addressed enhanced subsidy rates and children not eligible to receive federally funded adoption assistance. Management concurred with the prior audit finding and stated:

We concur. As of February 2011, staff responsible for subsidies has completely transitioned under the direct management and supervision of Central Office for ongoing maintenance and oversight of subsidy records . . .

Although the staff responsible for subsidies was transitioned to the supervision of the Central Office, the department still had not adequately ensured that subsidy payments were accurately documented in the case files.

We examined a non-statistical sample of federal adoption assistance subsidies for 60 adopted children and reviewed the related children's files. For 3 of 60 subsidies sampled (5%), we found the following instances of noncompliance:

- For one case, a payment for a child was made with Title IV-E funding although the child was not eligible for the funding. Federal questioned costs are \$310 for this

payment, including \$15 of funds from the American Recovery and Reinvestment Act of 2009 (ARRA).

- In two cases, the children's parents received subsidy rates that exceeded the allowable rates documented in the files. To document special or extraordinary rate requests, the department uses forms that have checkboxes beside physical, medical, behavior, or emotional conditions, which justify the payment of higher rates. Both forms had conditions selected that were not supported by documentation in the file, and the rates should not have been approved. Federal questioned costs for these two cases are \$310, including \$18 of ARRA funds.

The total amount of Title IV-E Adoption Assistance paid on behalf of the children for the payments sampled is \$29,478, which includes \$1,652 of ARRA funds. The total federal share of the Title IV-E Adoption Assistance payments for the current period exceeded \$36,000,000. The total amount of federal questioned costs from our sample is \$620, including \$33 of ARRA funds.

Through our review of the case files associated with the subsidy payments included in our sample, we discovered other instances of noncompliance not pertaining to the specific payments included in our sample. These errors and related questioned costs are as follows:

- For one case, payments for a child were made with Title IV-E funding although the child was not eligible for the funding. Federal questioned costs are \$2,772, including \$154 of ARRA funds.
- In two cases, the children's parents received subsidy rates that exceeded the allowable rates documented in the file. As in the two cases from our sample discussed above, in both of these cases, the rate requests had conditions selected that were not supported by documentation in the file and the rates should not have been approved. Federal questioned costs are \$3,384, including \$205 of ARRA funds.
- Our testwork also revealed one instance where a \$14 duplicate payment was made for a child. These federal questioned costs are for state fiscal year 2012, and there are no ARRA funds associated with the payment. Additional questioned costs related to duplicate payments made during fiscal year 2011 are noted as a part of finding 11-DCS-01.

The total amount of all federal questioned costs noted in this finding is \$6,790, which includes \$392 of ARRA funds. We believe likely questioned costs exceed \$10,000 for the conditions noted in this finding.

Recommendation

The Acting Director of the Office of Child Permanency and the Director of Foster Care and Adoptions should ensure that Adoption Assistance files are complete and have documentation to support enhanced subsidy rates and documentation of children's eligibility.

The Commissioner should ensure that the defects in the Tennessee Family and Child Tracking System that have caused the issuance of duplicate payments are corrected.

Management's Comment

We concur.

To address this finding, DCS fiscal and program staff will initiate a IV-E validation project effective April 1, 2012, to ensure that eligibility information contained in the IV-E historical database is consistent with eligibility information captured in the adoption assistance case files and in the TFACTS record.

In one of the cases cited, we concur that the documentation was not present to support the rate. Additionally, we believe the current Central Office process along with closer collaboration with Fiscal will address these issues going forward.

In the second case cited under this finding, the documentation was not present in the file when the record was audited, but documentation obtained supported the rate.

In regard to action steps to address this finding, the Office of Child Permanency will use the Lean Process or similar process to develop a corrective action plan which will be delivered to Commissioner O'Day by March 31st which will build on the process implemented in February 2011. The previously implemented plan required:

- The transition of responsibility for oversight and supervision of the adoptions subsidy program to a small group of Central Office staff whose responsibilities include approval of subsidy rates, periodic review of records to ensure compliance with policy, and the provision of training to appropriate staff when indicated.

The fact that the error in one of the two cases cited under this finding was identified through an internal review prior to the Comptroller's audit, validates the functionality of the plan. The second case would have been reviewed in an internal audit during the month the reassessment was due.

The duplicate payment in the amount of \$14.00 was the result of a system related TFACTS error. This duplicate payment was identified and refunded. The Department has refunded the total amount of questioned costs to the Federal Department of Health and Human Services. The Department refunded \$6,790, which included \$392 of ARRA funds as of January 2012.

Finding Number	11-DFA-04
CFDA Number	93.767
Program Name	Children's Health Insurance Program
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-1005TN5021
Federal Award Year	2010 and 2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	N/A

CoverKids did not implement post-eligibility audits and two enrollees were not terminated timely, increasing the risk that inappropriate claims could be paid

Finding

CoverKids was created to provide children's health insurance with funding from the federal Children's Health Insurance Program. CoverKids offers free comprehensive health coverage to qualifying uninsured children age 18 and younger. CoverKids also includes coverage for unborn children under the HealthyTNBabies program. HealthyTNBabies also offers coverage for pregnancies and complications of pregnancies to qualified pregnant women. HealthyTNBabies coverage ends after 60 days of postpartum care. In our audit, we found that CoverKids did not implement post-eligibility audits for fiscal year 2011 in accordance with their State plan. In addition, we found that CoverKids did not terminate two enrollees' coverage timely when the enrollees became ineligible.

Post-eligibility Audits Not Performed

Title 42, *Code of Federal Regulations* (CFR), Part 457, Section 40, requires the State to implement the Children's Health Insurance Program (CHIP) in accordance with an approved State plan. According to 42 CFR 457.50, "The State plan is a comprehensive written statement, submitted by the State to CMS [Centers for Medicare and Medicaid Services] for approval, that describes the purpose, nature, and scope of the State's CHIP and gives an assurance that the program is administered in conformity with the specific requirements of title XXI, title XIX (as appropriate), and the regulations in this chapter." As a condition for receipt of federal funds under Title XXI of the Social Security Act, the State agrees to administer the program in accordance with the provisions of the approved State plan.

CoverKids did not implement or perform post-eligibility audits for fiscal year 2011 as described in their State plan. According to the State plan, "The State will perform periodic random reviews and post-eligibility audits of the applications to assure compliance with CoverKids eligibility and enrollment policies. These reviews will include examination of applications and any additional information or documentation to assure that: a proper determination of eligibility was made, all the required information is obtained, the system contains needed edits, and referrals to Medicaid are made when indicated." Based on our

discussions with the Director of CoverKids, post-eligibility audits were not performed because CoverKids did not have enough staff to perform the audits. The Director of CoverKids stated that the post-eligibility audits will be implemented in fiscal year 2012. Performing post-eligibility audits can mitigate the risk that medical, vision, pharmacy, or dental claims will be paid for ineligible enrollees and possibly expose any weaknesses in operations.

Enrollees' Benefits Not Properly Terminated

CoverKids contracted with Policy Studies, Inc. (PSI) for the delivery of a broad range of eligibility determinations, application processing, and beneficiary services. All of the enrollee information that PSI receives from enrollees is maintained within the CoverKids' eligibility system, Children's Health Administrative System (CHAS). All enrollees approved for CoverKids must have their coverage re-determined after 12 months of coverage since individual circumstances change over time. When an enrollee's circumstances change and the enrollee is no longer eligible, PSI will mail the enrollee a letter stating that they are no longer eligible for CoverKids and will then terminate the enrollee's benefits in CHAS.

We tested a sample of 60 enrollees who received CoverKids benefits between July 1, 2010, and June 30, 2011, to determine if the enrollees were eligible for benefits and to determine if their eligibility had been properly re-determined. We found that CoverKids did not properly terminate one enrollee's benefits when the child became eligible for Medicaid benefits. According to the State plan, the following persons are not eligible to receive CoverKids benefits:

- Children who appear to be eligible for Medicaid (even if not enrolled in Medicaid). This includes:
 - Children who are eligible for TennCare Medicaid at the following levels: Infants to 185 percent of the FPL [Federal Poverty Level]; ages 1 through 5 to 133 percent of the FPL; ages 6 through 18 to 100 percent of the FPL.
 - Children who are eligible for the grandfathered or rollover groups in TennCare Standard.

The enrollee whose CoverKids benefits were not terminated in a timely manner was added to the program on September 1, 2009. On February 9, 2010, the enrollee submitted an application to the Department of Human Services (DHS) for Medicaid coverage. The DHS eligibility counselor processed the Medicaid application, and TennCare approved the enrollee's enrollment on February 13, 2010. TennCare retroactively dated the enrollee's coverage to begin on February 9, 2010. CoverKids did not terminate the enrollee's CoverKids coverage until the enrollee was due for renewal on September 1, 2010, 200 days after TennCare approved the enrollee for Medicaid coverage.

Based on our discussions with the Director of CoverKids, CoverKids and Medicaid coverage will almost always have some overlap since DHS has 45 days to process a Medicaid application. Once DHS processes the application using their eligibility system, Automated

Client Certification and Eligibility Network for Tennessee (ACCENT), DHS retroactively dates the coverage to start on the date that the enrollee submitted the application. The Director of CoverKids stated that PSI performs a weekly system verification of CoverKids enrollees listed in CHAS against Medicaid and TennCare Standard enrollees to ensure that no enrollee receives overlapping coverage. However, if the enrollee's social security number, name, or birth date does not match exactly between the systems, PSI's weekly system verification may not discover the overlapping coverage.

Based on our inspection of ACCENT and interChange (TennCare's Medicaid Management Information System), the enrollee's first name did not match the spelling of the enrollee's first name in CHAS. The child's social security number and birth date in ACCENT and interChange, however, did match the information listed in CHAS. Based on our discussions with the Director of CoverKids, the different spelling of the first name in ACCENT and interChange may have prevented PSI from discovering the overlapping coverage sooner. We found that CoverKids did not pay any medical, vision, pharmacy, or dental claims on behalf of the enrollee during the time that the enrollee received both CoverKids and Medicaid coverage.

In addition to CoverKids not properly terminating one enrollee's coverage when the child became eligible for Medicaid coverage, CoverKids did not properly terminate another enrollee's HealthyTNBabies coverage timely. According to the CoverKids *Eligibility Manual*, "Pregnant women will be eligible for CoverKids throughout pregnancy and for at least two calendar months after the pregnancy ends . . . Coverage would end at the end of the month in which the 60th postpartum day occurs." On March 27, 2009, a physician certified that the enrollee's estimated delivery date would be October 4, 2009. Based on the enrollee's estimated delivery date, the postpartum period would have ended on December 4, 2009, and the enrollee's coverage would have been terminated on December 31, 2009, the last day of the month in which the 60th postpartum day occurred. CoverKids did not terminate the enrollee's coverage until July 31, 2010, 212 days later.

The Director of CoverKids stated that PSI made attempts to contact the enrollee after her postpartum period to obtain the date that she had given birth and to obtain information relating to her pre-natal, delivery, and postpartum claims. PSI was unsuccessful in making contact with the enrollee on January 4, 2010. PSI did not make any other attempts to contact the enrollee after January 4, 2010, and as a result, the enrollee remained on CoverKids. However, we found that CoverKids did not pay any medical or pharmacy claims on behalf of the enrollee after December 31, 2009.

Based on our discussion with the Director of CoverKids, Blue Cross Blue Shield (BCBS) of Tennessee identified that the enrollee was still listed as "active" past her estimated delivery date when preparing a monthly invoice. BCBS contacted PSI when they identified the discrepancy. While researching the account, PSI discovered that the monthly query that they used to locate the maternity accounts past their due date needed to have the parameters adjusted in order to identify this type of discrepancy. According to the Director of CoverKids, PSI has since enhanced the query.

The two eligibility discrepancies noted above may have been prevented had CoverKids implemented post-eligibility audits.

In the Department of Finance and Administration's (F&A) risk assessment for CoverKids for fiscal year 2011, F&A did not address the risk that CoverKids enrollees may not be terminated timely when enrollees receive Medicaid or TennCare Standard coverage in their risk assessment. F&A did identify the risk that enrollees' eligibility may not be discontinued when the period of eligibility has expired. F&A stated the following internal control was in place to prevent or mitigate this risk, "Enrollee eligibility is managed by the CoverKids eligibility administrator [PSI]. Enrollees who are determined not to be eligible are disenrolled from the program. In addition, Program Integrity researches any enrollees who may not be eligible." According to the Director of CoverKids, PSI implemented an automated, monthly query in CHAS that detects "active" accounts that are 15 days past the mother's estimated delivery date. If an account matches this criterion, PSI cancels the enrollee's coverage on the last day of the month in which the 60th postpartum day occurs. In addition, PSI periodically runs an *ad hoc* query to detect any data exceptions that may have occurred. As noted above, however, the PSI queries failed to detect the enrollee whose eligibility continued past the intended postpartum care period.

Recommendation

The Director of CoverKids should implement post-eligibility audits in accordance with the State plan to ensure that CoverKids enrollees meet eligibility requirements and enrollment policies. In addition, the Director of CoverKids should require PSI to perform a more thorough weekly verification with TennCare to ensure that enrollees do not receive coverage under Medicaid or TennCare Standard and CoverKids simultaneously. The Director of CoverKids should reiterate the HealthyTNBabies postpartum policies to PSI to ensure all HealthyTNBabies enrollees' coverage terminates at the end of the month in which the 60th postpartum day occurs. Although the CoverKids has established procedures for terminating coverage for enrollees receiving HealthyTNBabies, these procedures need to be effectively communicated to all PSI staff. In addition, the Director of CoverKids should continue to assess the risks noted in this finding and should ensure that controls are in place to mitigate those risks.

Management's Comment

Post – Eligibility Audits Not Performed

We concur with your finding that the CoverKids program did not implement or perform post-eligibility audits for fiscal year 2011 as described in our State plan. The CoverKids program will implement the post-eligibility audit process for fiscal year 2012 no later than April 1, 2012. During this post-eligibility audit, the CoverKids program will identify whether Policy Studies Inc. (PSI), contractor for delivery of a broad range of eligibility determinations, application processing and beneficiary services, is efficiently making proper determinations of eligibility of applicants for CoverKids or HealthyTNBabies coverage. The goal is to ensure the

eligibility and enrollment process is effectively working and the program is enrolling eligible members, cancelling coverage on members ineligible for the program and/or referring applicants to Medicaid if potentially eligible for the program correctly and expediently.

Enrollees' Benefits Not Properly Terminated

Part I

We concur in part. CoverKids, through its Eligibility Contractor, PSI, did not properly terminate one enrollee's coverage when the child became eligible for Medicaid benefits. The process currently in place with Bureau of TennCare is that a data match is conducted which requires an exact match with the name, social security number and date of birth. CoverKids has worked with The Bureau of TennCare to implement a thorough daily and weekly 270/271 data match to ensure we identify the correct member. At this point, the name, social security number and date of birth must match to identify whether the member is enrolled in the Medicaid or TennCare Standard program. The controls that are in place are working when the correct demographic information from the member/beneficiary is submitted on the application. In 2014, CoverKids and the Bureau of TennCare will be utilizing one eligibility system. The Request For Proposal (RFP) for this eligibility system provides that there will be a master enrollee database and this will eliminate any previously mentioned issues.

Part II

We concur CoverKids did not properly terminate another enrollee's HealthyTNBabies coverage timely. During this audit period, the program relied on the pregnant woman and our plan administrator to identify the woman's delivery date or end of pregnancy date to establish her post-partum cancellation date. It was identified the process in place at that time was not efficiently working if no claims are submitted to the plan administrator and the member failed to contact PSI with an update of their pregnancy outcome. To correct the compliance issue identified by the auditors, CoverKids implemented the following corrective action plan in December 2010 with PSI to ensure HealthyTNBabies member's coverage will terminate after her 60th day post-partum coverage ends:

1. Conduct outbound calls two months prior to the estimated due date to remind the parent to call PSI when the baby is born and encourage the member to apply for TennCare for the newborn, if applicable
2. PSI runs a query to identify women that are active 30 days past their estimated/provided due date on their Provider Statement
3. Women identified in the query are set to cancel coverage 60 days past their estimated/provided due date
4. A cancellation letter is sent to the member
5. If there is a miscarriage, the coverage is cancelled back to the date of the miscarriage plus 60 days post partum coverage
6. If the pregnant woman delivers during the time period that the account has been set to cancel based on the estimated due date, the account is updated with the date of birth and the two months post partum coverage date is reset.

Currently, the corrective action plan is working and PSI has identified HealthyTNBabies accounts that were not updated by the pregnant woman and canceled the coverage after the woman's 60-day post partum coverage ended. PSI staff have been educated and are aware that under no circumstances is PSI to allow a pregnant woman's coverage to exceed 60-days post partum care after her estimated due date unless the pregnant woman contacts PSI stating she delivered after her estimated due date.

It is CoverKids goal to ensure the Eligibility Contractor is efficiently conducting a thorough job in handling the eligibility and enrollment process.

Finding Number	11-DFA-01
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-1105TN5MAP, 05-1005TN5MAP, 05-1105TNARRA, 05-1005TNARRA
Federal Award Year	2010 and 2011
Finding Type	Significant Deficiency and Noncompliance
Compliance Requirement	Eligibility
Questioned Costs	\$17,005

As reported in the previous audit, TennCare did not appropriately terminate ineligible enrollees, certain TennCare Standard enrollees were not listed in ACCENT, and two undocumented aliens were improperly enrolled during the audit period, all of which resulted in total questioned costs of \$23,636

Finding

In the prior audit, we reported that TennCare did not terminate some ineligible enrollees' benefits, certain TennCare Standard enrollees were not listed in the Automated Client Certification and Eligibility Network for Tennessee (ACCENT), and an undocumented alien was improperly enrolled in TennCare Medicaid. The same problems reported in the prior audit existed during the year ended June 30, 2011, as well. The prior audit also noted that TennCare did not redetermine eligibility for all TennCare Standard enrollees. During the current audit period, TennCare implemented multiple system changes in an attempt to correct this deficiency. However, TennCare is still in the process of redetermining eligibility of TennCare Standard enrollees.

The Department of Human Services (DHS) is responsible for eligibility determinations for TennCare Medicaid and TennCare Standard. TennCare's Medicaid management information system, interChange, receives eligibility data files daily from the DHS eligibility system, ACCENT. All enrollees for Medicaid and TennCare Standard must update their information with DHS and have their TennCare coverage redetermined on an annual basis since individual circumstances change over time. When an enrollee's circumstances change and the enrollee is no longer eligible, the DHS eligibility counselor terminates the enrollee's benefits in ACCENT, or if the enrollee is eligible in another category, the eligibility counselor opens the new category and closes the previous category in ACCENT. DHS then notifies TennCare so that the appropriate changes can be made in TennCare's interChange system.

This finding outlines three deficiencies we discovered during the audit:

- enrollees' benefits were not terminated properly;
- certain TennCare Standard enrollees were not listed in ACCENT, leading to benefits not being terminated properly; and

- two undocumented aliens were improperly enrolled in Medicaid.

Enrollees' Benefits Not Terminated Properly

For each enrollee, TennCare pays a monthly fee (called a capitation payment) to a managed care organization to provide medical services. We tested a sample of 60 TennCare enrollees who had a capitation payment during the year ended June 30, 2011, to determine if the enrollees were eligible for TennCare coverage and to determine if the enrollees' eligibility had been redetermined during the audit period. Of the 60 enrollees tested for eligibility and redetermination, TennCare did not properly terminate eligibility benefits of 4 enrollees' (7%).

When DHS terminates an enrollee's TennCare coverage, ACCENT automatically triggers interChange to mail the enrollee a Request for Information (RFI) packet in order to gather updated information to determine if the enrollee is still eligible to receive TennCare coverage or if the enrollee is eligible for a different category of TennCare coverage. If DHS determines that the enrollee is no longer eligible for benefits based upon the updated information or if the enrollee fails to respond to the RFI, TennCare mails the enrollee a 20-day advance Termination Notice. If the enrollee submits the requested information to DHS prior to the termination date specified (20th day from the date of the Termination Notice) and DHS determines that the enrollee meets all eligibility requirements, the enrollee will continue to be eligible for the applicable Medicaid category. According to the *Rules of the Tennessee Department of Finance and Administration, Bureau of TennCare*, Chapter 1200-13-13-.02(6)(b)(6), if DHS makes a determination that the enrollee is eligible for a different category, the previous Medicaid category should be terminated and the enrollee opened in the appropriate category.

If the enrollee files an appeal to dispute the termination of his or her benefits within 40 days of the Termination Notice, the enrollee will continue to receive TennCare benefits while the appeal is being resolved. If DHS determines that the enrollee is no longer eligible for benefits based upon the updated information or if the enrollee fails to respond to the Termination Notice, TennCare is to close the enrollee's benefits.

Based on the 60 enrollees' files examined for eligibility and redetermination, we found the following discrepancies relating to 4 enrollees' TennCare benefits.

- TennCare did not terminate 2 enrollees' benefits timely:
 - DHS did not process one enrollee's response to an RFI timely, causing the enrollee to continue receiving Medicaid benefits when the enrollee should have started receiving TennCare Standard benefits. DHS received the RFI response on August 19, 2010, but did not process the response until February 17, 2011. Based on that response, the DHS eligibility counselor determined that the enrollee was not eligible to continue receiving Medicaid benefits, and the eligibility counselor opened TennCare Standard benefits on March 1, 2011. TennCare properly mailed the enrollee a second RFI for Medicaid benefits on March 24, 2011, and a Termination Notice on May 9, 2011, when the enrollee did not respond to the

RFI. TennCare continued making capitation payments to the managed care organization at the higher Medicaid rate instead of the TennCare Standard rate until the Medicaid benefits closed on May 31, 2011. The Director of Eligibility Services stated that the enrollee's Medicaid benefits would have been terminated in mid-November 2010 had DHS processed the first RFI timely. Questioned costs for this enrollee were noted below.

- TennCare did not terminate one enrollee's Medicaid benefits timely after DHS determined that the enrollee was ineligible. Based on the results of an annual redetermination, the DHS eligibility counselor closed the enrollee's benefits effective November 30, 2010. TennCare properly mailed an RFI packet to the enrollee on November 24, 2010, and a Termination Notice on January 11, 2011, when the enrollee did not respond to the RFI. The enrollee submitted a new application on January 4, 2011, before the Termination Notice due date of January 31, 2011; however, the eligibility counselor ultimately denied the enrollee for TennCare benefits because the enrollee did not complete the interview process or provide requested documentation. As a result, TennCare should have closed the enrollee's Medicaid benefits as of January 31, 2011. The Director of Eligibility Services stated that DHS did not send the closure transaction to TennCare until April 21, 2011. Questioned costs for this enrollee were noted below.
- TennCare did not close 2 enrollees' eligibility categories when another category opened:
 - TennCare did not close one enrollee's benefits in Medicaid when she became eligible for TennCare Standard. DHS closed the enrollee's Medicaid benefits on December 31, 2010, and properly opened TennCare Standard benefits on January 1, 2011. TennCare properly mailed the enrollee an RFI for the closing Medicaid benefits on December 23, 2010, and a Termination Notice on February 8, 2011, when the enrollee failed to respond to the RFI. The enrollee also did not respond to the Termination Notice, and DHS closed the enrollee's TennCare Medicaid benefits on February 28, 2011. TennCare, however, did not close the enrollee's Medicaid benefits. On August 16, 2011, we informed the Director of Eligibility Services that this enrollee's Medicaid benefits were still open. The Director notified DHS to immediately research the case. TennCare closed the enrollee's Medicaid benefits on August 23, 2011. As a result, TennCare continued making capitation payments to the managed care organization at the higher Medicaid rate instead of the TennCare Standard rate until the Medicaid benefits closed on August 23, 2011. Questioned costs for this enrollee were noted below.
 - TennCare did not close one Medicaid category once the enrollee became eligible for another Medicaid category; however, in this situation, TennCare did not incur any questioned costs. The enrollee became eligible for the most recent Medicaid category on May 1, 2009; however, the previous Medicaid category was not closed until November 30, 2010. Because the enrollee remained in Medicaid, TennCare properly paid the enrollee's capitation payments to the managed care organization at the correct rates. The Director of Eligibility Services stated that

the closure transaction for this enrollee was on the TennCare 2109 error report. This report lists any enrollee whose information does not match between interChange and ACCENT. Anyone who is written to this report is sent back to DHS for correction; however, DHS did not close the category even after the error report was sent.

In response to this portion of the previous audit finding, TennCare implemented a new report in April 2011 that identifies cases with overlapping Medicaid and Standard eligibility. The Director of Eligibility Services stated the report will generate a listing of children that have an approaching TennCare Standard closure date and also have an open Medicaid benefit category. The Director of Eligibility Services will manually review each case. Depending on the circumstances and eligibility of the child, the Medicaid category will close, the Standard category will close, or both will close.

In TennCare's risk assessment for fiscal year ended June 30, 2011, TennCare did not identify the risk that enrollees' eligibility categories may not be terminated properly, whether timely or when another benefits category opens.

The total questioned costs for enrollees' benefits not properly terminated in the sample during the audit period for fiscal year ended June 30, 2011, were \$4,108. Federal questioned costs in the sample totaled \$2,961. The remaining \$1,147 was state matching funds. The total capitation amounts we tested in our sample were \$215,015 from a population of \$5,011,831,409.

The total questioned costs for enrollees' benefits not properly terminated in the sample after the audit period were \$947. Federal questioned costs in the sample totaled \$624. The remaining \$323 was state matching funds.

Although the capitation payments were not affected for all of the discrepancies noted, when eligibility is not properly terminated, the risk of making improper payments increases.

Certain TennCare Standard Enrollees Not Listed in ACCENT and Benefits Not Terminated Properly

In addition to the 60 items tested for eligibility and redetermination, we tested a sample of 25 TennCare Standard enrollees who were enrolled in the Pre-waiver category, identified as "PREW" in interChange, during the year ended June 30, 2011, to determine if these enrollees were listed in ACCENT. Pre-waiver children are uninsured children under age 19 who became eligible prior to July 1, 2002, when DHS assumed the responsibility of determining eligibility for TennCare Standard.

Based on the testwork performed, ACCENT did not contain information for 23 of the 25 enrollees' eligibility (92%) during the audit period. While examining these 25 enrollees, we also discovered that TennCare did not properly close pre-waiver benefit categories of 15 enrollees (60%).

- TennCare did not close the TennCare Standard Pre-waiver category for 9 enrollees when a new Medicaid category opened. Each of the enrollees' Medicaid categories eventually closed while the TennCare Standard Pre-waiver category remained open. TennCare made capitation payments to the managed care organizations at the Medicaid rate; however, when the Medicaid category closed, TennCare reverted back to paying the managed care organizations at the TennCare Standard rate, resulting in questioned costs noted below. TennCare did not make a determination if the enrollee was eligible for TennCare Standard once the Medicaid category closed.
- TennCare did not close the TennCare Standard Pre-waiver category for one enrollee after the enrollee withdrew his appeal on July 25, 2011. On October 10, 2011, we informed the Director of Eligibility Services that this enrollee's TennCare benefits remained open. The Director notified DHS to immediately research the case. The Director of Eligibility Services stated that the DHS Appeals Order Implementation Group failed to close the case once they resolved the appeal. As a result, TennCare closed the enrollee's benefits on October 14, 2011. Questioned costs for this enrollee were noted below.
- TennCare did not close the TennCare Standard Pre-waiver category for 5 enrollees when a new Medicaid category opened. Each enrollee's Medicaid category and the TennCare Standard Pre-waiver category remained open simultaneously. TennCare properly paid the enrollees' capitation payments to the managed care organizations at the correct rates. However, the potential risk exists if the Medicaid categories close, the enrollee will revert to TennCare Standard without the opportunity to redetermine eligibility.

As stated previously, in response to this portion of the previous audit finding, TennCare implemented a new report in April 2011 that identifies cases with overlapping Medicaid and Standard eligibility. The Director of Eligibility Services will manually review each case. Depending on the circumstances and eligibility of the child, the Medicaid category will close, the Standard category will close, or both will close. In addition, TennCare's risk assessment for fiscal year ended June 30, 2011, did not identify the risk that enrollees' eligibility categories may not be terminated properly when another benefits category opens.

The total questioned costs for enrollees' Pre-waiver benefits not properly terminated in the sample during the audit period of fiscal year ended June 30, 2011, were \$11,206. Federal questioned costs in the sample totaled \$8,275. The remaining \$2,931 was state matching funds. It was not practical to determine the capitation payments for the population of the Pre-waiver enrollees.

The total questioned costs for enrollees' Pre-waiver benefits not properly terminated in the sample after the audit period were \$1,071. Federal questioned costs in the sample totaled \$706. The remaining \$365 was state matching funds.

Two Undocumented Aliens Were Improperly Enrolled

We tested all 15 enrollees that had a pseudo social security number (SSN) and that received Medicaid benefits during the audit period for a period greater than one year, in order to determine if the enrollees were eligible to receive benefits.

TennCare assigns a pseudo SSN to a person who does not have a valid SSN as issued by the Social Security Administration (SSA) upon application for Medicaid or TennCare Standard. The Director of Eligibility Services stated that pseudo SSNs are only assigned to newborns that the SSA has not issued a valid SSN, adoption assistance children, undocumented aliens receiving emergency services only and who cannot obtain valid SSNs, individuals applying for SSNs, or individuals who have not obtained a SSN based on religious objections.

Based on the 15 enrollees' cases examined, we found that 2 enrollees (13%) classified as undocumented aliens received Medicaid benefits. According to the *TennCare Medicaid and TennCare Standard Policy Manual*, "These aliens [undocumented aliens] are not eligible for full TennCare Medicaid benefits because of the temporary nature of their admission status. Undocumented aliens may be eligible only for emergency TennCare Medicaid services when all eligibility requirements other than citizenship and enumeration are met." On October 11, 2011, we informed the Director of Eligibility Services that the two enrollees should not be receiving Medicaid benefits. The Director notified DHS to immediately research the following cases.

- The DHS eligibility counselor listed one enrollee's alien status incorrectly in ACCENT, which allowed the enrollee to receive Medicaid benefits as part of a household. The other individuals in the household were eligible to receive Medicaid benefits; however, due to his alien status, this individual was not. DHS terminated the household's benefits when an increase in income caused the household to be ineligible. TennCare set the household's benefits to end on December 28, 2011. Despite this individual's being enrolled, he did not receive any services during his eligibility period. However, TennCare improperly made capitation payments to the managed care organization on his behalf. Questioned costs for this enrollee were noted below.
- As of November 30, 2011, DHS had not determined how one enrollee became enrolled in Medicaid as she was correctly coded as an undocumented alien. TennCare mailed the enrollee an RFI on October 27, 2011, and TennCare set her benefits to end on December 28, 2011. Questioned costs for this enrollee were noted below.

In TennCare's risk assessment for fiscal year ended June 30, 2011, TennCare identified a risk that ineligible enrollees could receive services even though they do not have an official SSN. TennCare stated the following internal controls were in place to prevent or mitigate this risk: "Any invalid SSNs not able to be corrected by TennCare are sent to the origination state agency for resolution. Monthly pseudo SSN reports are divided by originating state agency and sent to that agency for resolution. TennCare follows up with that originating agency if the invalid SSN is not corrected. Ineligible enrollees are monitored through working the invalid and pseudo SSN

reports.” In response to this portion of the previous audit finding, management stated, “TennCare is running a monthly report to identify individuals who may have been added in error and triggering the system to reverify the eligibility of those individuals.” The Director of Eligibility manually reviews the individuals listed on the report to ensure each individual is eligible for TennCare and notifies DHS if any individual is incorrectly approved for TennCare. TennCare did not follow up with DHS on the status of these two enrollees using pseudo SSNs once they were approved for TennCare benefits.

TennCare paid a total of \$6,290 in capitation payments for both enrollees and paid a total of \$14 in pharmacy claims for one enrollee. The total questioned costs for two undocumented aliens enrolled in Medicaid during the audit period for fiscal year ended June 30, 2011, were \$3,926. Federal questioned costs totaled \$2,868. The remaining \$1,058 was state matching funds.

The total questioned costs for two undocumented aliens enrolled in Medicaid after the audit period were \$2,378. Federal questioned costs totaled \$1,571. The remaining \$807 was state matching funds.

Recommendation

The Director of Member Services and the Director of Eligibility Services should ensure that all TennCare enrollees with terminating benefits are properly terminated. The Deputy Commissioner should ensure that eligibility redeterminations are documented in ACCENT for all TennCare Standard Pre-waiver enrollees.

The Deputy Commissioner should ensure that DHS uses diligence when enrolling individuals to preclude undocumented aliens from receiving benefits in excess of the federally required emergency services. The Director of Eligibility Services and the Director of Member Services should ensure individuals are placed in the appropriate TennCare category for the appropriate period of time and not enrolled in a category for which they are not eligible.

For all instances of questioned costs noted in this finding, the Deputy Commissioner should ensure that all capitation payments are recouped within the requirements of the contracts with the managed care organizations. In addition, the Deputy Commissioner should ensure that risks associated with this finding are adequately identified and assessed in TennCare’s risk assessment.

Management’s Comment

Enrollees’ Benefits Not Terminated Properly

We concur with this finding. As noted in the Findings by the Comptroller’s Auditors, there were two cases where enrollees were not terminated timely. In the first of these two cases the enrollee returned her RFI timely, but the RFI was not processed by the DHS caseworker for

several months. Because this particular caseworker had been reassigned to assist a county that was experiencing devastation during the flooding which occurred in Nashville in May 2010, she was behind in her workload for many months. Although this enrollee was eventually reapproved in a different category, there was a delay in making that determination.

In the second case, the enrollee also returned her reverification papers in a timely manner and she was denied for failure to complete the interview process. There was a delay in submission of that denial to the TennCare system due to the caseworker's inadvertent failure to complete the processing of the case. The enrollee submitted an application on January 4, 2011, and that application was denied on February 7, 2011. Had the denial been transmitted to TennCare's system in a timely manner, the enrollee's eligibility should have terminated around March 1, 2011. The denial was not transmitted, however, until April 21, 2011. The enrollee was eventually reapproved for Medicaid.

The audit also identified two enrollees who simultaneously had eligibility in more than one category. Although there are some situations where overlap is allowed, we agree that in these scenarios the existing eligibility should have closed when the new eligibility was approved. To address this going forward TennCare is making a change to the interChange system to prevent inappropriate eligibility overlap. The request is documented under SCR11873 and is currently the fourth highest priority item in the Eligibility Workgroup. It is currently slated to go into production before the end of the current fiscal year.

Certain TennCare Standard Enrollees Not Listed in ACCENT and Benefits Not Terminated Properly

We concur with this finding. All enrollees identified in this item are enrollees with a "PREW" category of TennCare Standard in interChange. By definition, these cases will not be in ACCENT since they were created prior to the time when DHS began processing Standard eligibility. These enrollees are part of the reverification process for TennCare Standard children. Because the PREW designation is an artifact of the legacy system, no new PREW cases will be created. Once all PREW children complete the reverification process, any new eligibility will be in a non-PREW case. All of these individuals should complete the reverification process in calendar year 2011.

The finding identified that some of the PREW cases did have overlapping eligibility in a different category. As described above, TennCare is making a change to the interChange system to prevent overlap going forward. The request is documented under SCR11873 and is currently the fourth highest priority item in the Eligibility Workgroup.

In one case the enrollee had properly been given continuation of benefits during the eligibility appeal process, but the benefits were never ended upon completion of the appeal. This is a manual process that is completed by the DHS Appeals and Hearings staff. To prevent this in the future TennCare developed a new aged appeals report that will identify all cases that are in a continuation of benefits status for more than 90 days. That report is scheduled to be in production in January 2012.

Two Undocumented Aliens Were Improperly Enrolled

Although we concur with the Finding, we do not agree that this is a repeat of the scenario from last year. As noted in the current Finding, two individuals who did not meet Medicaid citizenship criteria were approved in error. The first individual was originally listed on the case with his family as an ineligible individual, but no indication was given that he was an undocumented alien. There is a system edit that would have prevented eligibility approval for anyone coded as an undocumented alien. That system edit was created in response to the previous finding. Because this individual was coded as ineligible rather than undocumented, the edit did not prevent the erroneous approval. The DHS caseworker should have taken an extra step to remove the individual from the case so that he was not approved for Medicaid. Since the task was not performed, he was processed and approved with his eligible family members.

TennCare runs a monthly report to identify cases such as this that are approved in error. It is important to point out that this secondary control did identify this recipient in the first report that was created after his eligibility was added to TennCare's system and he was promptly sent through the termination process. TennCare is working with DHS to develop new ways to identify these cases and prevent them from occurring in the first place. Meanwhile, TennCare will continue to run the secondary control as a failsafe.

The second individual identified in the audit findings is a 15-year-old female who was approved in error with her eligible siblings. Her citizenship status was keyed appropriately into the system, but DHS did not have an edit on this particular eligibility category to prevent approval for undocumented individuals.

TennCare's monthly report did not catch this error because the original requirement for the report only identified Transitional Medicaid adults over age 21. TennCare has broadened its report requirements to identify all individuals over the age of two in this category as well as those in the Transitional Medicaid category. This is a secondary control that will quickly identify anyone who is approved in error. We are also evaluating our ability to expand the report to capture other Medicaid eligibility categories in order to enhance the controls currently in place.

We are also working with DHS to add an edit on this eligibility category to prevent this situation from occurring again. We will be requesting documentation from DHS that the appropriate citizenship edits exist on all other Medicaid categories. We will also be asking DHS to follow up with training for all county office staff on this specific issue.

It appears from the finding that there may be confusion about the various controls TennCare has in place to identify enrollees who are erroneously approved even though they do not meet citizenship requirements and do not have valid social security numbers. TennCare has three processes that address individuals who are eligible but do not have SSNs. Pseudo SSNs are appropriately used when eligibility is approved for newborns, for individuals who provide proof that they have applied for an SSN, for individuals who have not obtained an SSN based on religious objections, and for individuals who are approved only for payment of services obtained in an emergency room. Both of the individuals identified in the finding were identified with the

first control process, which is the monthly pseudo SSN reports that are sent to DHS for research. The first individual was on the October 2011 report that was sent to DHS on October 4, 2011. He was then closed by DHS and set up to begin the termination process that month. The second individual was on each monthly report since May 2011. The second pseudo SSN process is an automatic termination notice process that occurs during the ninth month of eligibility. Had DHS not closed this second individual's eligibility when they did, she would have been selected for this automatic notice process in December 2011.

The third pseudo SSN process is an internal TennCare report developed by TennCare in response to the previous audit finding. This report identifies adults without an SSN who have Transitional Medicaid eligibility. As noted above, this internal report did identify the first individual. TennCare did follow up with DHS and the individual was sent through the termination process. In response to the current finding, this report has been expanded to include a second eligibility category and anyone over the age of two.

Capitation payments made for both of these individuals will be recovered by the Bureau.

Finding Number	11-DFA-02
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-1105TN5MAP, 05-1005TN5MAP, 05-1105TNARRA, 05-1005TNARRA
Federal Award Year	2010 and 2011
Finding Type	Significant Deficiency
Compliance Requirement	Activities Allowed or Unallowed Allowable Costs/Cost Principles Eligibility
Questioned Costs	N/A

As noted in the previous audit, management did not maintain proper controls over TennCare's management information system to mitigate the risks of unauthorized system access and data being compromised

Finding

In the prior audit, we reported that the Bureau of TennCare did not maintain proper internal controls over granting access to interChange, TennCare's management information system. The same problems reported in the prior audit existed during the year ended June 30, 2011, as well. TennCare's management has initiated changes to correct these deficiencies; however, these changes were not fully implemented during the year ended June 30, 2011.

TennCare's management information system contains extensive recipient, provider, and payment data files; processes a high volume of transactions; and generates numerous types of reports. Our testwork revealed that the bureau's staff did not always follow the *Security Unit Procedure Guide for Provisioning (Granting Access)*, resulting in increased risks of unauthorized system access and data being compromised.

The wording of this finding does not identify specific vulnerabilities that could allow someone to exploit TennCare's systems. Disclosing those vulnerabilities could present a potential security risk by providing readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided TennCare with detailed information regarding the specific vulnerabilities we identified as well as our recommendations for improvement.

Recommendation

The Chief Information Officer (CIO) and Deputy Commissioner should ensure that the procedures in the *Security Unit Procedure Guide for Provisioning (Granting Access)* are effectively communicated throughout the organization. The CIO should implement effective

controls to ensure compliance with applicable requirements and take action if deficiencies occur. In addition, the CIO should ensure that risks associated with this finding are adequately identified and assessed in TennCare's risk assessment.

Management's Comment

We concur in part. As noted in response to the prior finding, several of the noted exceptions actually predate the implementation of the current TennCare management information system in 2004. Also, many of the noted exceptions predate the current version of the *Security Unit Procedure Guide for Provisioning (Granting Access)*, which is cited as standard for the exceptions. The great majority of the noted exceptions relate to historical issues identified in prior finding, for which the Bureau has initiated corrective action, and do not represent failure of current process during the subject audit period. Over the last several years, the Bureau has implemented substantial documentation, system and process changes to enforce compliance with documented policy and procedure and to reduce the risk of human error. The current documentation, systems and process are designed to prevent the noted historical deficiencies. Management does not believe that these exceptions represent a significant vulnerability in current system access management activities. Notwithstanding these comments, and consistent with our ongoing focus on quality improvement, the Bureau initiated actions to address historical deficiencies in response to the prior finding. Several major activities were initiated in the prior fiscal year and will complete within the current fiscal year. Other changes were initiated in the current fiscal year and will continue into next year. The Bureau risk assessment does identify risks and mitigating controls related to system security administration. The Bureau will continue to seek opportunities for enhancement of security administration functions and processes.

Finding Number	11-DFA-03
CFDA Number	93.778
Program Name	Medicaid Cluster
Federal Agency	Department of Health and Human Services
State Agency	Department of Finance and Administration
Grant/Contract No.	05-1105TN5MAP, 05-1005TN5MAP, 05-1105TNARRA, 05-1005TNARRA
Federal Award Year	2010 and 2011
Finding Type	Noncompliance
Compliance Requirement	Allowable Costs/Cost Principles
Questioned Costs	\$58

TennCare paid a medical claim for services that the provider did not render, resulting in federal questioned costs of \$58 and state questioned costs of \$19

Finding

We tested a sample of 60 fee-for-service claims that the Department of Finance and Administration's Bureau of TennCare (TennCare) paid during the audit period in order to determine the adequacy of documentation supporting the medical costs associated with these claims. We reviewed items such as medical records, service logs, office visit and procedure notes, and physician orders to determine if the claims were adequately supported. Of the 60 fee-for-service claims tested, TennCare reimbursed the TennCare Select contractor for one medical claim (1.7%) that the provider submitted twice.

The provider incorrectly billed the TennCare Select contractor for medical services on August 8, 2010, that were actually rendered on August 9, 2010. In addition, the provider correctly billed the TennCare Select contractor for the medical services rendered on August 9, 2010, resulting in a duplicate billing and payment. According to a letter that we received from the provider, dated October 14, 2011, the provider performed an internal audit of the patient's records which revealed the clerical error in billing for the date of service. The internal audit was initiated after we questioned the August 8, 2010, billing. The letter further stated that the provider would correct the claim and refund the money it received for the incorrect claim. TennCare requested reimbursement from the provider on December 2, 2011.

The total amount of questioned costs for the claim noted above was \$77 of a total of \$108,674 tested. Federal questioned costs totaled \$58. The remaining \$19 was state matching funds. The total amount of the population sampled was \$2,387,498,174. Office of Management and Budget Circular A-133 requires us to report all known questioned costs when likely questioned costs exceed \$10,000 for a federal compliance requirement. We believe likely questioned costs exceed \$10,000 for this condition.

In TennCare's risk assessment for the fiscal year ended June 30, 2011, TennCare identified a risk of paying inaccurate, unauthorized, incomplete, duplicate, and overbilled claims. Management has developed procedures to conduct medical necessity and post-payment reviews

of fee-for-service claims and to recover inappropriate payments. The contract between TennCare and the TennCare Select contractor states that, “On a monthly basis, the contractor shall sample a minimum of one hundred (100) claims and associated explanation of benefits.” Furthermore, the contract states that “the contractor shall track any complaints received from enrollees and resolve the complaints according to its established policies and procedures.” Despite these procedures, some errors of this type will occur in a program of the nature, complexity, and magnitude of the TennCare program.

Recommendation

The Director of TennCare should continue to ensure contractors conduct post-payment reviews of medical records to detect inappropriate claims submissions by providers. In addition, the Director of TennCare should ensure that the federal questioned costs noted in this finding and any other inappropriate payments noted in post-payment reviews are reimbursed to the Department of Health and Human Services.

Management’s Comment

We concur. We referred this provider to our Provider Investigations Unit to review. The medical records were requested from the provider for dates of service of August 1 – 15, 2010. Services billed and reimbursed for August 8, 2010, should not have been submitted, as there was no signed attending physician attestation, only a signed resident note. Any contribution and participation of a student/resident to the performance of a billable service must be performed in the physical presence of a teaching physician. TennCare requested reimbursement from the provider on December 2, 2011.

Auditee's Section

Schedule of Expenditures of Federal Awards

Notes to the Schedule of Expenditures of Federal Awards

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Unclustered Programs				
Department of Agriculture				
Direct Programs				
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001	\$	1,772,264.20
Agriculture	Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$	783,828.72
Tennessee Wildlife Resources Agency	Plant and Animal Disease, Pest Control, and Animal Care	10.025		2,134.74
University of Tennessee	Plant and Animal Disease, Pest Control, and Animal Care	10.025		119,087.17
Agriculture	Conservation Reserve Program	10.069		13,776.58
Agriculture	Market Protection and Promotion	10.163		27,521.94
University of Tennessee	Cooperative Forestry Research	10.202		620,129.91
University of Tennessee	Payments to Agricultural Experiment Stations Under the Hatch Act	10.203		3,760,502.44
Tennessee State University	1890 Institution Capacity Building Grants	10.216		56,706.05
University of Tennessee	Higher Education Challenge Grants	10.217		7,569.65
University of Tennessee	Integrated Programs	10.303		205,308.15
Agriculture	Homeland Security_Agricultural	10.304		29,272.66
University of Tennessee	International Science and Education Grants	10.305		59,672.65
University of Tennessee	Beginning Farmer and Rancher Development Program	10.311		29,750.61
Tennessee State University	Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443		311,459.88
Tennessee State University	Cooperative Extension Service	10.500	\$	3,250,191.62
University of Tennessee	Cooperative Extension Service	10.500		10,290,021.30
Health	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		123,913,018.63
Human Services	Child and Adult Care Food Program	10.558		51,247,487.48
Agriculture	State Administrative Expenses for Child Nutrition	10.560	\$	175,899.26
Education	State Administrative Expenses for Child Nutrition	10.560		2,246,290.26
Human Services	State Administrative Expenses for Child Nutrition	10.560		911,758.02
Health	Commodity Supplemental Food Program	10.565	\$	854,855.27
Health	Commodity Supplemental Food Program (Noncash Award)	10.565		3,373,610.00
Health	WIC Farmers' Market Nutrition Program (FMNP)	10.572		61,361.57
Health	Senior Farmers Market Nutrition Program	10.576		543,450.56
Health	ARRA-WIC Grants To States (WGS)	10.578		43,098.37
Education	ARRA-Child Nutrition Discretionary Grants Limited Availability	10.579		181,059.22
Education	Fresh Fruit and Vegetable Program	10.582		1,638,069.95
Agriculture	Forestry Research	10.652		321,000.85
Agriculture	Cooperative Forestry Assistance	10.664		1,612,332.85
Agriculture	Urban and Community Forestry Program	10.675		347,202.90
Agriculture	Forest Legacy Program	10.676		24,642.42
Agriculture	Forest Stewardship Program	10.678		362,937.00
Agriculture	Forest Health Protection	10.680	\$	512,174.15

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Forest Health Protection	10.680	4,534.84	516,708.99
University of Tennessee	Wood Education and Resource Center (WERC)	10.681		4,933.46
Chattanooga State Community College	Rural Business Enterprise Grants	10.769	\$ 9,312.33	
Columbia State Community College	Rural Business Enterprise Grants	10.769	24,355.28	
Economic and Community Development	Rural Business Enterprise Grants	10.769	63,750.00	
Roane State Community College	Rural Business Enterprise Grants	10.769	24,154.94	
University of Tennessee	Rural Business Enterprise Grants	10.769	82,597.95	204,170.50
University of Tennessee	Rural Business Opportunity Grants	10.773		107,891.99
Economic and Community Development	ARRA-Rural Business Enterprise Grants - ARRA	10.783		19,250.00
Columbia State Community College	Distance Learning and Telemedicine Loans and Grants	10.855	\$ 202,166.26	
Walters State Community College	Distance Learning and Telemedicine Loans and Grants	10.855	319,655.00	521,821.26
Tennessee State University	1890 Land Grant Institutions Rural Entrepreneurial Outreach Program	10.856		46,154.66
University of Tennessee	Public Television Station Digital Transition Grant Program	10.861		290,180.76
Agriculture	Agricultural Statistics Reports	10.950		41,399.91
Tennessee State University	Technical Agricultural Assistance	10.960		72,705.67
Tennessee State University	Cochran Fellowship Program-International Training-Foreign Participant	10.962		6,023.09
University of Tennessee	Long Term Standing Agreements For Storage, Transportation And Lease	10.999		61,315.09
Agriculture	Cooperative Forestry Position to Implement Forestry Provisions of Farm Bill	10 / 68-4741-0-932		23,938.72
University of Tennessee	USDA APHIS Emerald Ash Borer-Long	10 / 11-8247-0778-CA		3,815.80
University of Tennessee	USDA ARS Honey Bee Health-Skinner	10 / 58-1275-8-391 AMD 4		21,881.91
University of Tennessee	USDA FS 07CA11330134109 Stand-Mercker	10 / 07CA11330134109		7,832.41
University of Tennessee	USDA FS 07CA11331034100 Forest Mg-Harper	10 / 07CA11330134100 MOD2		6,245.17
University of Tennessee	USDA FS 09DG11420004078 Fuel Plts-Taylor	10 / 09DG11420004078		15,538.45
University of Tennessee	USDA FS Silviculture 2011-Clatterbuck	10 / SILVICULTURE 2011		155,015.00
University of Tennessee	USDA FS Sudden Oak Death-Long	10 / 11-DG-1108350-002		8,495.76
University of Tennessee	USDA RD Entrepreneurial Sys/ETN-Wilcox	10 / EAST TN		17,117.27
University of Tennessee	USDA RD Entrepreneurial Sys/West-Wilcox	10 / WEST		6,380.00
Subtotal Direct Programs			\$	211,356,088.75
Passed Through University of Florida				
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 PO 1000019139	\$ 668.16	
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 PO 1000061478	8,792.91	
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 PO 1000061654	915.56	\$ 10,376.63
University of Tennessee	Homeland Security_Agricultural	10.304 UFIFAS00069564 AMD 3		40,827.87
University of Tennessee	UN of FL IR-4 Biopstd-Wszelaki/Hodges	10 / PO 1000019158		10,248.86

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through University of Georgia				
University of Tennessee	Grants for Agricultural Research_ Competitive Research Grants	10.206 / RC293502/3843598		18,602.02
University of Tennessee	Sustainable Agriculture Research and Education	10.215 / RD309097/4688128	\$ 1,748.72	
University of Tennessee	Sustainable Agriculture Research and Education	10.215 / RD309101/4690578	1,832.10	
University of Tennessee	Sustainable Agriculture Research and Education	10.215 / RD309105/4690218	11,068.54	
University of Tennessee	Sustainable Agriculture Research and Education	10.215 / RD309105/4785846	1,056.17	
University of Tennessee	Sustainable Agriculture Research and Education	10.215 / RD309105/4786546	3,873.89	
University of Tennessee	Sustainable Agriculture Research and Education	10.215 / RE675155/4690398	19,526.64	
University of Tennessee	Sustainable Agriculture Research and Education	10.215 / RE675161/4786096	2,870.96	41,977.02
University of Tennessee	Agriculture and Food Research Initiative (AFRI)	10.310 / RC293365/4693958		33,951.65
University of Tennessee	Cooperative Extension Service	10.500 / RE675-153/3842608		1,546.14
University of Tennessee	Cooperative Forestry Assistance	10.664 / RE353-420/4693188		9,000.00
Passed Through North Carolina State University				
University of Tennessee	Integrated Programs	10.303 / 2007-1634-11		25,403.21
University of Tennessee	Cooperative Extension Service	10.500 / 2008-1004-17		1,373.03
University of Tennessee	NCSU 2009276301 Career Pathways- Hill	10 / 2009-2763-01		3,603.11
Passed Through Purdue University				
University of Tennessee	Homeland Security_Agricultural	10.304 / 8000037045-AG		3,481.34
Passed Through Auburn University				
University of Tennessee	Cooperative Extension Service	10.500 / 08-HHP-34648-002	\$ (6.14)	
University of Tennessee	Cooperative Extension Service	10.500 / 10-ACES-374384-UTK	7,028.71	
University of Tennessee	Cooperative Extension Service	10.500 / 10-ACES-378562-UT	1,916.83	8,939.40
University of Tennessee	Environmental Quality Incentives Program	10.912 / 10-AGR-361124-UTQ		12,725.28
Passed Through Kansas State University				
University of Tennessee	Cooperative Extension Service	10.500 / S09126	\$ 14,197.34	
University of Tennessee	Cooperative Extension Service	10.500 / S09126.01	55,858.10	
University of Tennessee	Cooperative Extension Service	10.500 / S10079	8,159.33	
University of Tennessee	Cooperative Extension Service	10.500 / S10177	24,085.45	
University of Tennessee	Cooperative Extension Service	10.500 / S1187	13,988.83	116,289.05
Passed Through Louisiana State University				
University of Tennessee	Cooperative Extension Service	10.500 / PO/AWARD 52939		6,014.83
Passed Through Mississippi State University				
University of Tennessee	Cooperative Extension Service	10.500 / 1800034036205		974.63
Passed Through Texas A&M Agricultural Research and Extension Center				
University of Tennessee	Cooperative Extension Service	10.500 / 622232	\$ 2,643.29	
University of Tennessee	Cooperative Extension Service	10.500 / 622239	5,351.00	7,994.29

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Texas Agricultural and Mechanical University				
Tennessee State University	Cooperative Extension Service	10.500 / 2007-49200-03891		(0.02)
Passed Through University of Kentucky				
University of Tennessee	Cooperative Extension Service	10.500 / 3048107511-11-136	\$ 4,940.05	
University of Tennessee	Cooperative Extension Service	10.500 / 3048107580-11-228	<u>3,556.84</u>	8,496.89
Passed Through University of Massachusetts				
University of Tennessee	Cooperative Extension Service	10.500 / 1-006323 M 00		1,514.20
Passed Through Volunteer State Community College Foundation				
Volunteer State Community College	Rural Business Enterprise Grants	10.769 / UNKNOWN		9,833.35
Passed Through Georgia Public Broadcasting				
University of Tennessee	Public Television Station Digital Transition Grant Program	10.861 / 8500018250		20,746.11
Passed Through University of Arizona				
University of Tennessee	Scientific Cooperation and Research	10.961 / CYFAR 2010		6,696.07
Passed Through South Dakota State University				
University of Tennessee	Long Term Standing Agreements For Storage, Transportation And Lease	10.999 / UNKNOWN		13,119.89
Passed Through Texas Agriculture Extension Services				
University of Tennessee	TX Coop Water Res Project-Smith/Clark	10 / NO. 451004		27,155.01
Subtotal Pass-Through Programs			<u>\$</u>	<u>440,889.86</u>
Subtotal Department of Agriculture			<u>\$</u>	<u>211,796,978.61</u>
Department of Commerce				
Direct Programs				
University of Tennessee	Census Geography	11.003	\$	5,157.54
University of Tennessee	Economic Development_Technical Assistance	11.303		184,806.14
State	ARRA-Broadband Technology Opportunities Program (BTOP)	11.557		541,909.88
University of Tennessee	Manufacturing Extension Partnership	11.611		1,223,701.82
Military	Nextel South Corp	11 / NEXTEL PROJECT 2010		29,036.33
Tennessee State University	Minority Serving Institutions Technical Assistance & Capacity Building Conference	11 / 76151		15,017.79
Subtotal Department of Commerce			<u>\$</u>	<u>1,999,629.50</u>

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Tennessee	Procurement Technical Assistance for Business Firms	12.002	\$ 247,257.19
Environment and Conservation	State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	319,774.32
University of Tennessee	Collaborative Research and Development	12.114	89,810.50
Military	National Guard Military Operations and Maintenance (O&M) Projects	12.401	22,794,151.42
University of Tennessee	Basic Scientific Research	12.431	14,778.52
Tennessee State University	Basic, Applied, and Advanced Research in Science and Engineering	12.630	(56,536.86)
University of Tennessee	Information Security Grant Program	12.902	585.23
Education	Troops to Teachers Memorandum of Agreement	12 / UNKNOWN	75,691.63
Tennessee State University	Center for Academic Excellence in Intelligence Studies (CAEIS)	12 / 040988	30,616.82
Tennessee State University	Regional Colloquium		
Tennessee State University	Center for Academic Excellence in Intelligence Studies (CAEIS)	12 / 37000	6,212.11
Tennessee State University	Regional IC Spring Colloquium		
University of Tennessee	Army Consumer Affs/Fin Planning 2010	12 / MIPROA012UT005	27,744.27
University of Tennessee	Army Consumer Affs/Fin Planning 2011	12 / MIPR1E10025421	78,537.42
University of Tennessee	Army Family Advocacy 2010	12 / MIPROA012UT003	6,513.15
University of Tennessee	Army Family Advocacy 2011	12 / MIPR1E10040032	22,708.11
University of Tennessee	Army Mobilization Deployment 2010	12 / MIPR0AO12UT011	8,140.91
University of Tennessee	Army Mobilization Deployment 2011	12 / MIPR1E10040875	23,845.24
University of Tennessee	Army Relocation Office 2010	12 / MIPR0AO12UT002	42,700.82
University of Tennessee	Army Relocation Office 2011	12 / MIPR1E10040806	94,927.54
University of Tennessee	Army Soldier Readiness Office 2010	12 / MIPR0AO12UT010	7,091.41
University of Tennessee	Army Soldier Readiness Office 2011	12 / MIPR1E10040943	23,512.80
University of Tennessee	Peace Corps-PC-10-8-049 Wood	12 / PC-10-8-049	13,059.74

Subtotal Direct Programs			\$ 23,871,122.29
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Passed Through Academy of Applied Sciences

University of Tennessee	Basic Scientific Research	12.431 / W911NF-04-001	\$ 619.58
University of Tennessee	Basic, Applied, and Advanced Research in Science and Engineering	12.630 / W911NF-10-2-0076	16,901.41

Passed Through Defense Equal Opportunity Management Institute

Austin Peay State University	Defense Equal Opportunity Climate Survey	12 / FA2521-06-P-0292	5,438.31
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Subtotal Pass-Through Programs			\$ 22,959.30
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Subtotal Department of Defense			\$ 23,894,081.59
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Department of Housing and Urban Development

Direct Programs

Middle Tennessee State University	College Housing Debt Service	14.100	\$ 72,134.00
Tennessee Housing Development Agency	Supportive Housing for Persons with Disabilities	14.181	221,626.00
Tennessee Housing Development Agency	Emergency Shelter Grants Program	14.231	1,709,077.08
University of Tennessee	Supportive Housing Program	14.235	133,624.52

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Tennessee Housing Development Agency	Home Investment Partnerships Program	14.239	14,775,122.92
Health	Housing Opportunities for Persons with AIDS	14.241	821,872.63
Tennessee Housing Development Agency	ARRA-Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257	7,037,650.21
Tennessee Housing Development Agency	ARRA-Tax Credit Assistance Program (Recovery Act Funded)	14.258	27,657,699.40
Tennessee Human Rights Commission	Fair Housing Assistance Program_ State and Local	14.401	330,024.70
Tennessee State University	Historically Black Colleges and Universities Program	14.520	381,306.07
Middle Tennessee State University	Operation Lead Elimination Action Program	14.903	981,847.76
Environment and Conservation	Lead Hazard Reduction Demonstration Grant Program	14.905	64,372.84
East Tennessee State University	Interest Subsidies	14 / CH-TENN-144D	49,526.00
Subtotal Direct Programs			\$ 54,235,884.13
Passed Through City of Johnson City			
East Tennessee State University	Home Investment Partnerships Program	14.239 / ESGP 6133	\$ 9,124.00
Passed Through University of Kentucky			
University of Tennessee	Sustainable Communities Regional Planning Grant Program	14.703 / 3048108055-11-349	188.36
Passed Through City of Knoxville			
University of Tennessee	City of Knoxville HUD Regional Campbell	14 / HUD REGIONAL PLANNING	3,020.49
Passed Through Knox County Community Action			
University of Tennessee	ARRA-Knoxville-Knox-CAC-HMIS Patterson	14 / KNOX HMIS HPRP EVAL	817.84
Subtotal Pass-Through Programs			\$ 13,150.69
Subtotal Department of Housing and Urban Development			\$ 54,249,034.82

Department of the Interior

Direct Programs

Environment and Conservation	Abandoned Mine Land Reclamation (AMLR) Program	15.252	\$ 755,775.63
Environment and Conservation	Cooperative Endangered Species Conservation Fund	15.615	\$ 68,992.70
Tennessee Wildlife Resources Agency	Cooperative Endangered Species Conservation Fund	15.615	646,770.12
Tennessee Wildlife Resources Agency	Clean Vessel Act	15.616	302,604.40
Tennessee Wildlife Resources Agency	North American Wetlands Conservation Fund	15.623	12,715.30
Tennessee Wildlife Resources Agency	Wildlife Conservation and Restoration	15.625	62,288.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Tennessee Wildlife Resources Agency	Enhanced Hunter Education and Safety Program	15.626		1,792,923.51
Tennessee Wildlife Resources Agency	Multistate Conservation Grant Program	15.628		122,515.00
Agriculture	ARRA-Partners for Fish and Wildlife	15.631		183,857.97
Tennessee Wildlife Resources Agency	Landowner Incentive Program	15.633		439,088.50
Tennessee Wildlife Resources Agency	State Wildlife Grants	15.634		801,330.63
Tennessee Wildlife Resources Agency	Fish and Wildlife Coordination and Assistance Programs	15.664		69,287.87
Environment and Conservation	U.S. Geological Survey_Research and Data Collection	15.808		100,944.46
Finance and Administration	National Spatial Data Infrastructure Cooperative Agreements Program	15.809		6,050.40
University of Tennessee	Cooperative Research Units Program	15.812		70,237.36
Environment and Conservation	Minerals Resources External Research Program	15.816		11,462.67
Environment and Conservation	Historic Preservation Fund Grants-in-Aid	15.904	\$ 694,722.94	
Middle Tennessee State University	Historic Preservation Fund Grants-In-Aid	15.904	407,273.82	1,101,996.76
Environment and Conservation	Outdoor Recreation_Acquisition, Development and Planning	15.916		1,149,993.96
State	American Battlefield Protection	15.926		17,925.05
Tennessee State Museum	Save America's Treasures	15.929		125,162.83
Tennessee Wildlife Resources Agency	Aquatic Nuisance Species	15 / 40181AG013		12,335.25
Tennessee Wildlife Resources Agency	Big South Fork Stream Gauges	15 / H5130050038		12,000.00
Tennessee Wildlife Resources Agency	Gallatin Hatchery Agreement	15 / 401813J007		65,960.21
Tennessee Wildlife Resources Agency	Obed River Stream Gauges	15 / H5640070003		18,150.00
University of Memphis	CERI Annual Support of USGS Personnel	15 / G09PX01478		38,705.69
University of Tennessee	USF&W 40181AG103 4H Wildf Judging-Harper	15 / 20181AG103		5,715.01
Subtotal Direct Programs			\$	7,994,789.28
Passed Through Western Kentucky University				
Tennessee State University	Rivers, Trails and Conservation Assistance	15.921 / H5000095041	\$	8,601.82
Subtotal Pass-Through Programs			\$	8,601.82
Subtotal Department of the Interior			\$	8,003,391.10

Department of Justice

Direct Programs

Finance and Administration	Sexual Assault Services Formula Program	16.017	\$	245,038.96
Correction	Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202		314,179.12
Children's Services	Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)	16.203		22,248.99
Commission on Children and Youth	Juvenile Accountability Block Grants	16.523		951,102.88

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525		89,671.32
Commission on Children and Youth	Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	\$ 1,276,076.10	
Mental Health	Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	56,416.42	1,332,492.52
Commission on Children and Youth	Title V_Delinquency Prevention Program	16.548		109,448.15
Tennessee Bureau of Investigation	State Justice Statistics Program for Statistical Analysis Centers	16.550		44,828.30
Finance and Administration	National Criminal History Improvement Program (NCHIP)	16.554		302,809.73
University of Tennessee	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		1,006,022.22
Finance and Administration	Crime Victim Assistance	16.575		6,815,682.12
Treasury	Crime Victim Compensation	16.576		3,848,000.00
University of Tennessee	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		774,872.61
Finance and Administration	Drug Court Discretionary Grant Program	16.585		131,078.98
Finance and Administration	Violence Against Women Formula Grants	16.588	\$ 2,231,033.69	
Finance and Administration	ARRA-Violence Against Women Formula Grants	16.588	1,192,908.69	3,423,942.38
Finance and Administration	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		153,154.71
Finance and Administration	Residential Substance Abuse Treatment for State Prisoners	16.593		444,776.51
Correction	State Criminal Alien Assistance Program	16.606		296,793.00
Tennessee Bureau of Investigation	Project Safe Neighborhoods	16.609	\$ 54,206.92	
University of Memphis	Project Safe Neighborhoods	16.609	6,179.29	60,386.21
Tennessee Bureau of Investigation	Regional Information Sharing Systems	16.610		6,675,000.00
Tennessee Bureau of Investigation	Public Safety Partnership and Community Policing Grants	16.710	\$ 2,170,973.87	
Tennessee Technological University	Public Safety Partnership and Community Policing Grants	16.710	111,473.77	2,282,447.64
Commission on Children and Youth	Enforcing Underage Drinking Laws Program	16.727		419,433.75
Correction	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	16.735		107,993.00
Tennessee Bureau of Investigation	Forensic DNA Backlog Reduction Program	16.741		1,312,254.99
Finance and Administration	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		326,975.42
Tennessee Bureau of Investigation	Convicted Offender and/or Arrestee DNA Backlog Reduction Program	16.748		18,678.86
Tennessee Bureau of Investigation	Support for Adam Walsh Act Implementation Grant Program	16.750		135,798.13
University of Memphis	Edward Byrne Memorial Competitive Grant Program	16.751		100,455.07
Middle Tennessee State University	Congressionally Recommended Awards	16.753	\$ 320,203.36	
University of Tennessee	Congressionally Recommended Awards	16.753	228,795.50	548,998.86
Finance and Administration	ARRA-Recovery Act - State Victim Assistance Formula Grant Program	16.801		351,136.81

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	ARRA-Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.810		930,474.39
Mental Health	Second Chance Act Prisoner Reentry Initiative	16.812		62,871.88
Tennessee Student Assistance Corporation	John R. Justice Prosecutors and Defenders Incentive Act	16.816		165,000.00
Tennessee Bureau of Investigation	Governor's Task Force on Marijuana Eradication	16 / 2010-110	\$ 570,577.57	
Tennessee Bureau of Investigation	Governor's Task Force on Marijuana Eradication	16 / 2011-114	172,048.44	742,626.01
Subtotal Direct Programs			\$	34,546,673.52
Passed Through City of Knoxville				
University of Tennessee	Project Safe Neighborhoods	16.609 / C-10-0218	\$ 2,431.19	
University of Tennessee	Project Safe Neighborhoods	16.609 / C-11-0203	208.52	\$ 2,639.71
University of Tennessee	Anti-Gang Initiative	16.744 / 2007PGBX0069		36,122.95
Passed Through Knoxville Police Department				
University of Tennessee	Project Safe Neighborhoods	16.609 / 2007GPCX0044		42,503.41
Passed Through City of Memphis Police Department				
University of Memphis	Public Safety Partnership and Community Policing Grants	16.710 / 25838 AMEND 2		266,359.02
University of Memphis	Safeway Old Allen Demonstration	16 / 28084		116,756.68
Subtotal Pass-Through Programs			\$	464,381.77
Subtotal Department of Justice			\$	35,011,055.29

Department of Labor

Direct Programs

Labor and Workforce Development	Labor Force Statistics	17.002	\$	1,265,906.81
Labor and Workforce Development	Compensation and Working Conditions	17.005		102,632.46
Labor and Workforce Development	Unemployment Insurance	17.225	\$ 1,517,284,212.90	
Labor and Workforce Development	ARRA-Unemployment Insurance	17.225	58,595,947.12	1,575,880,160.02
Labor and Workforce Development	Senior Community Service Employment Program	17.235	\$ 2,477,412.90	
Labor and Workforce Development	ARRA-Senior Community Service Employment Program	17.235	(5,540.59)	2,471,872.31
Labor and Workforce Development	Trade Adjustment Assistance	17.245		13,167,781.03
Labor and Workforce Development	Incentive Grants - WIA Section 503	17.267		250,555.34
Jackson State Community College	Community Based Job Training Grants	17.269	\$ 609,911.05	
Northeast State Community College	Community Based Job Training Grants	17.269	279,766.23	
Roane State Community College	Community Based Job Training Grants	17.269	452,705.02	1,342,382.30
Labor and Workforce Development	Work Opportunity Tax Credit Program (WOTC)	17.271		850,466.77
Labor and Workforce Development	Temporary Labor Certification for Foreign Workers	17.273		94,262.22

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Labor and Workforce Development	ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	553,520.57
Labor and Workforce Development	Workforce Investment Act (WIA) National Emergency Grants	17.277	3,742,812.83
Labor and Workforce Development	WIA Dislocated Worker Formula Grants	17.278	17,248,986.25
Labor and Workforce Development	Occupational Safety and Health_State Program	17.503	3,720,156.93
Labor and Workforce Development	Consultation Agreements	17.504	927,240.86
Labor and Workforce Development	OSHA Data Initiative	17.505	53,973.03
Labor and Workforce Development	Mine Health and Safety Grants	17.600	139,864.00
Subtotal Direct Programs			\$ 1,621,812,573.73
Passed Through Knox County Community Action			
University of Tennessee	Community Based Job Training Grants	17.269 / KNOX CAC WIA YOUTH	\$ 94,478.60
Passed Through Southeast Tennessee Development District			
Chattanooga State Community College	Community Based Job Training Grants	17.269 / CB-18208-09-60-A-47	671,491.69
Chattanooga State Community College	WIA Dislocated Worker Formula Grants	17.278 / DSLWK	815.50
Passed Through Memphis Bioworks Foundation			
Jackson State Community College	ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275 / GJ-19864-10-60-A-47	46,325.78
Dyersburg State Community College	Green Jobs Innovation Fund Grants	17.279 / GJ-19864-10-60-A-47	107,099.28
Passed Through Knoxville Private Industry Council			
Pellissippi State Community College	Workforce Investment Act (WIA) Dislocated Worker National Reserve Demonstration Grants	17.280 / C-629014	\$ 8,708.33
Pellissippi State Community College	Workforce Investment Act (WIA) Dislocated Worker National Reserve Demonstration Grants	17.280 / C-629044	19,750.00
			28,458.33
Passed Through Operation Stand Down Nashville, Incorporated			
Tennessee State University	Veterans' Employment Program	17.802 / VW-20702-10-60-5-47	34,429.09
Subtotal Pass-Through Programs			\$ 983,098.27
Subtotal Department of Labor			\$ 1,622,795,672.00
Department of State			
Direct Programs			
Tennessee Technological University	IREX Cultural Program	19 / Ugrad-Tennessee Tech	\$ 7,504.47
Subtotal Department of State			\$ 7,504.47

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Department of Transportation			

Direct Programs

Transportation	Airport Improvement Program	20.106	\$ 17,087,879.61	
Transportation	ARRA-Airport Improvement Program	20.106	3,755,523.32	\$ 20,843,402.93
Safety	National Motor Carrier Safety	20.218	\$ 5,983,967.90	
Transportation	National Motor Carrier Safety	20.218	1,833.00	5,985,800.90
Transportation	Metropolitan Transportation Planning	20.505		1,230,158.54
Transportation	Formula Grants for Other Than Urbanized Areas	20.509	\$ 11,931,520.12	
Transportation	ARRA-Formula Grants for Other Than Urbanized Areas	20.509	4,247,437.66	16,178,957.78
Transportation	Clean Fuels	20.519		496,481.53
Transportation	Alcohol Open Container Requirements	20.607		11,292,374.33
Tennessee Regulatory Authority	Pipeline Safety Program Base Grants	20.700		283,983.12
Military	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		228,092.01
Tennessee Regulatory Authority	State Damage Prevention Program Grants	20.720		(19,330.77)
University of Tennessee	FHWA DTFH61-01-T-56040 Everett	20 / DTFH61-01-T-56040		13,479.52
University of Tennessee	FHWA DTFH61-06-D-00026/Task 2-Everett	20 / DTFH61-06-D-00026/7		38,236.43
University of Tennessee	USDT-FHWA-DDEGRD-09-X-00407-Fellow - Han	20 / DDEGRD-09-X-00407		3,602.11
Subtotal Department of Transportation			\$	56,575,238.43

Department of the Treasury				
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Direct Programs

Tennessee Housing Development Agency	ARRA-Section 1602 Grants to States for Low-Income Housing in Lieu of Low-Income Housing Credits for 2009	21 / TDP2009GRTN13		
Subtotal Direct Programs			\$	-
Passed Through NeighborWorks America				
Tennessee Housing Development Agency	National Foreclosure Mitigation Counseling (NFMC) Program	21 / PL 112-1095X1350	\$	271,674.00
Subtotal Pass-Through Programs			\$	271,674.00
Subtotal Department of the Treasury			\$	271,674.00

Appalachian Regional Commission				
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Direct Programs

University of Tennessee	Appalachian Regional Development	23.001		\$ 31,932.00
East Tennessee State University	Appalachian Area Development	23.002	\$ 61,373.60	
Tennessee Technological University	Appalachian Area Development	23.002	15,490.90	76,864.50

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
East Tennessee State University	Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	\$	85,503.70
Economic and Community Development	Appalachian Research, Technical Assistance, and Demonstration Projects	23.011		138,321.35
Pellissippi State Community College	Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	6,648.27	230,473.32
Subtotal Direct Programs			\$	339,269.82
Passed Through Coalition for Appalachian Substance Abuse Policy				
East Tennessee State University	Appalachian Research, Technical Assistance, and Demonstration Projects	23.011 / 08-0029	\$	4,672.36
Subtotal Pass-Through Programs			\$	4,672.36
Subtotal Appalachian Regional Commission			\$	343,942.18
Equal Employment Opportunity Commission				
Direct Programs				
Tennessee Human Rights Commission	Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	30.002	\$	259,800.00
Subtotal Equal Employment Opportunity Commission			\$	259,800.00
General Services Administration				
Direct Programs				
General Services	Donation of Federal Surplus Personal Property (Noncash Award)	39.003	\$	2,533,229.35
State	Election Reform Payments	39.011		409,150.59
Subtotal General Services Administration			\$	2,942,379.94
Library of Congress				
Direct Programs				
Middle Tennessee State University	Teaching with Primary Sources	42 / GA08C0077	\$	109,136.48
Subtotal Library of Congress			\$	109,136.48
National Aeronautics and Space Administration				
Direct Programs				
Tennessee Technological University	Science	43.001	\$	679,143.50
Tennessee State University	NASA Science Engineering Mathematics Aerospace Academy (SEMAA)	43 / NAS3-02123-STSU		117,437.29

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Tennessee State University	National Association for Equal Opportunity in Higher Education (NAFEO) Ames Research Academy	43 / 5600-06460		47.09
University of Tennessee	NASA NNX08AT42H Moersch	43 / NNX08AT42H		32,009.63
University of Tennessee	NASA-SSC/JSC NNX10TT44P	43 / NNX10TT44P		(0.01)
Subtotal Direct Programs			\$	828,637.50
Passed Through National Space Grant Foundation				
University of Tennessee	Science	43.001 / 2009-AESP11	\$	14,633.38
Passed Through Vanderbilt University				
East Tennessee State University	Science	43.001 / 21603-S13		18,000.00
Tennessee State University	Aeronautics	43.002 / NNG05GE95H		9,850.00
Tennessee State University	Tennessee Space Grant College and Fellowship Program	43 / NNX10AM45H		40,584.07
Passed Through United Negro College Fund Special Programs Corporation				
University of Memphis	Harriet G. Jenkins Pre-doctoral Fellowship	43 / JPFP RUDDICK	\$	10,000.00
University of Memphis	Harriet G. Jenkins Pre-doctoral Fellowship	43 / JPFP WILLIAMSON		8,500.00
Subtotal Pass-Through Programs			\$	101,567.45
Subtotal National Aeronautics and Space Administration			\$	930,204.95
National Endowment for the Arts				
Direct Programs				
Tennessee Arts Commission	Promotion of the Arts_Grants to Organizations and Individuals	45.024	\$	8,000.00
Tennessee State University	Promotion of the Arts_Grants to Organizations and Individuals	45.024		20,336.00
University of Tennessee	Promotion of the Arts_Grants to Organizations and Individuals	45.024		150.00
			\$	28,486.00
Tennessee Arts Commission	Promotion of the Arts_Partnership Agreements	45.025	\$	874,501.00
Tennessee Arts Commission	ARRA-Promotion of the Arts_Partnership Agreements	45.025		27,664.84
Subtotal Direct Programs			\$	930,651.84
Passed Through National Arts and Disability Center at UCLA				
Tennessee Arts Commission	Promotion of the Arts_Grants to Organizations and Individuals	45.024 / UNKNOWN	\$	4,000.00
Passed Through South Arts				
University of Memphis	Dance Touring Initiative	45 / NEA TOURING		8,750.00
Subtotal Pass-Through Programs			\$	12,750.00
Subtotal National Endowment for the Arts			\$	943,401.84

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
National Endowment for the Humanities				
Direct Programs				
University of Tennessee	Promotion of the Humanities_ Division of Preservation and Access	45.149	\$	103,085.24
Middle Tennessee State University	Promotion of the Humanities_ Professional Development	45.163	\$ 101,066.61	
University of Tennessee	Promotion of the Humanities_ Professional Development	45.163	35,298.59	136,365.20
University of Memphis	Promotion of the Humanities_Public Programs	45.164		767.01
Columbia State Community College	Promotion of the Humanities_We the People	45.168		163.05
Subtotal National Endowment for the Humanities			\$	240,380.50
Institute of Museum and Library Services				
Direct Programs				
University of Memphis	Museums for America	45.301	\$	27,683.51
State	Grants to States	45.310		3,418,024.22
State	National Leadership Grants	45.312	\$ 2,606.76	
Tennessee State University	National Leadership Grants	45.312	34,984.85	37,591.61
University of Memphis	Laura Bush 21st Century Librarian Program	45.313	\$ 180,059.02	
University of Tennessee	Laura Bush 21st Century Librarian Program	45.313	331,085.33	511,144.35
Subtotal Institute of Museum and Library Services			\$	3,994,443.69
National Science Foundation				
Direct Programs				
University of Tennessee	Engineering Grants	47.041	\$	32,901.74
East Tennessee State University	Mathematical and Physical Sciences	47.049	\$ 5,473.25	
University of Tennessee	Mathematical and Physical Sciences	47.049	267,095.37	272,568.62
University of Tennessee	Computer and Information Science and Engineering	47.070		17,426.27
Austin Peay State University	Biological Sciences	47.074	\$ 22,361.92	
University of Memphis	Biological Sciences	47.074	14,499.72	36,861.64
Austin Peay State University	Education and Human Resources	47.076	\$ 129,128.02	
Cleveland State Community College	Education and Human Resources	47.076	17,210.93	
East Tennessee State University	Education and Human Resources	47.076	94,253.73	
Middle Tennessee State University	Education and Human Resources	47.076	1,122,847.26	
Nashville State Community College	Education and Human Resources	47.076	378,978.21	
Pellissippi State Community College	Education and Human Resources	47.076	51,649.69	
Tennessee State University	Education and Human Resources	47.076	757,139.38	
University of Memphis	Education and Human Resources	47.076	84,627.63	
University of Tennessee	Education and Human Resources	47.076	1,625,859.45	4,261,694.30
Middle Tennessee State University	International Science and Engineering (OISE)	47.079		1,105.48
University of Tennessee	Office of Cyberinfrastructure	47.080		263,323.80
Middle Tennessee State University	ARRA-Trans-NSF Recovery Act Research Support	47.082	\$ 38,862.77	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Tennessee State University	ARRA-Trans-NSF Recovery Act Research Support	47.082	84,889.97	
University of Memphis	ARRA-Trans-NSF Recovery Act Research Support	47.082	140,410.41	264,163.15
Subtotal Direct Programs			\$	5,150,045.00
Passed Through American Physical Society				
Middle Tennessee State University	Mathematical and Physical Sciences	47.049 / 0808790	\$	31,065.11
Passed Through EdLab Group				
Middle Tennessee State University	Education and Human Resources	47.076 / HRD-0631789		2,652.06
Passed Through Georgia Institute of Technology				
University of Tennessee	Education and Human Resources	47.076 / CK 752212		886.07
Passed Through Kentucky Community and Technical College System				
Pellissippi State Community College	Education and Human Resources	47.076 / KCT-PS-477		19,189.54
Passed Through Lorain County Community College				
Chattanooga State Community College	Education and Human Resources	47.076 / 0703018		30,320.40
Passed Through National Center for Science and Civic Engagement				
Middle Tennessee State University	Education and Human Resources	47.076 / DUE 0717407		704.58
Passed Through University of Tulsa				
Jackson State Community College	Education and Human Resources	47.076 / DUE-0355246		52,366.32
Subtotal Pass-Through Programs			\$	137,184.08
Subtotal National Science Foundation			\$	5,287,229.08
Small Business Administration				
Direct Programs				
Middle Tennessee State University	Small Business Development Centers	59.037	\$ 51,315.41	
Tennessee Board of Regents	Small Business Development Centers	59.037	1,423,905.52	\$ 1,475,220.93
University of Tennessee	Federal and State Technology Partnership Program	59.058		54,837.09
Subtotal Direct Programs			\$	1,530,058.02
Passed Through University of Kentucky				
University of Tennessee	UKRF-Wiley 09-CIS-Sawhney	59 / ARTIFICIAL INTELLIGE	\$	(5,021.65)
Subtotal Pass-Through Programs			\$	(5,021.65)
Subtotal Small Business Administration			\$	1,525,036.37

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Department of Veterans Affairs				
Direct Programs				
Tennessee State Veterans Homes Board	Veterans State Nursing Home Care	64.015	\$	9,422,967.00
East Tennessee State University Veterans Affairs	Veterans Home Based Primary Care	64.022		252,913.01
	Burial Expenses Allowance for Veterans	64.101		415,200.00
Tennessee Higher Education Commission	All-Volunteer Force Educational Assistance	64.124		291,343.78
University of Memphis	Support of Veterans' Services Office	64 / 11908142		4,817.00
Subtotal Department of Veterans Affairs			\$	10,387,240.79
Environmental Protection Agency				
Direct Programs				
Environment and Conservation	Air Pollution Control Program Support	66.001	\$	1,030,237.01
Environment and Conservation	State Indoor Radon Grants	66.032		208,546.61
Environment and Conservation	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		129,160.19
Transportation	ARRA-National Diesel Emissions Reduction Program	66.039		614,096.37
Environment and Conservation	State Clean Diesel Grant Program	66.040	\$	477,241.72
Environment and Conservation	ARRA-State Clean Diesel Grant Program	66.040		1,699,180.52
Environment and Conservation	Water Pollution Control State, Interstate, and Tribal Program	66.419		2,543,325.02
Environment and Conservation	State Public Water System	66.432		609,509.10
Environment and Conservation	Water Quality Management Planning	66.454	\$	81,265.31
Environment and Conservation	ARRA-Water Quality Management Planning	66.454		351,872.33
Environment and Conservation	Capitalization Grants for Clean Water State Revolving Funds	66.458	\$	2,690,155.28
Environment and Conservation	ARRA-Capitalization Grants for Clean Water State Revolving Funds	66.458		35,906,618.75
Agriculture	Nonpoint Source Implementation Grants	66.460		3,004,577.76
Environment and Conservation	Regional Wetland Program Development Grants	66.461		5,510.07
Environment and Conservation	Water Quality Cooperative Agreements	66.463		37,174.24
Environment and Conservation	Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$	14,641,598.02
Environment and Conservation	ARRA-Capitalization Grants for Drinking Water State Revolving Funds	66.468		11,712,198.60
Environment and Conservation	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471		312,496.54
University of Tennessee	Office of Research and Development Consolidated Research/Training/Fellowships	66.511		44,329.75
University of Tennessee	Science To Achieve Results (STAR) Fellowship Program	66.514		5,805.52
Agriculture	Performance Partnership Grants	66.605		496,810.51

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Environment and Conservation	Environmental Information Exchange Network Grant Program and Related Assistance	66.608		203,021.16
Environment and Conservation	Toxic Substances Compliance Monitoring Cooperative Agreements	66.701		114,784.80
Environment and Conservation	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707		255,363.44
Environment and Conservation	Pollution Prevention Grants Program	66.708		74,042.68
Environment and Conservation	Multi-Media Capacity Building Grants for States and Tribes	66.709		12,620.89
Environment and Conservation	Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716		23,197.95
University of Tennessee	Source Reduction Assistance	66.717		15,422.52
Environment and Conservation	Hazardous Waste Management State Program Support	66.801		1,992,601.50
Environment and Conservation	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802		1,144,324.66
Environment and Conservation	Underground Storage Tank Prevention, Detection, and Compliance Program	66.804		808,478.63
Environment and Conservation	Leaking Underground Storage Tank Trust Fund Corrective Action	66.805	\$ 703,418.49	
Environment and Conservation	ARRA-Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	1,762,984.79	2,466,403.28
Environment and Conservation	Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809		325,777.61
Subtotal Direct Programs			\$	84,037,748.34
Passed Through Knox County				
University of Tennessee	Knox County Adopt-AWatershed-Gangaware08	66 / 07-590 MOD. # 3	\$	24,144.20
University of Tennessee	Knox County Grad Intern Prog-Gangaware08	66 / GRAD INTERN PROGRAM		5,126.16
Subtotal Pass-Through Programs			\$	29,270.36
Subtotal Environmental Protection Agency			\$	84,067,018.70

Department of Energy

Direct Programs

Economic and Community Development	State Energy Program	81.041	\$ 391,334.10	
Economic and Community Development	ARRA-State Energy Program	81.041	27,559,171.67	\$ 27,950,505.77
Human Services	Weatherization Assistance for Low-Income Persons	81.042	\$ 725,688.36	
Human Services	ARRA-Weatherization Assistance for Low-Income Persons	81.042	49,988,718.01	50,714,406.37
Pellissippi State Community College	Office of Science Financial Assistance Program	81.049	\$ 9,817.22	
University of Tennessee	Office of Science Financial Assistance Program	81.049	151,572.41	161,389.63

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	ARRA-Conservation Research and Development	81.086		373,154.66
Environment and Conservation	Renewable Energy Research and Development	81.087		9,616.77
Military	Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	81.106		270.22
Tennessee State University	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical	81.117		6,484.00
Environment and Conservation	State Energy Program Special Projects	81.119		5,185,539.82
Economic and Community Development	ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	\$ 1,590.80	
Tennessee Regulatory Authority	ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	137,713.78	139,304.58
Economic and Community Development	ARRA-Energy Efficient Appliance Rebate Program (EEARP)	81.127		3,503,768.00
Economic and Community Development	ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		6,466,325.17
Roane State Community College	Miscellaneous Federal Activities	81.502		136,073.50
Economic and Community Development	Petroleum Violation Escrow	81 / Legal Settlement		18,729,929.95
Military	Department of Energy Emergency Preparedness	81 / DOE2009		218.05
Military	Department of Energy Emergency Preparedness	81 / DOE FFY 2010 AWARD		383,525.59
Military	Department of Energy Emergency Preparedness	81 / DOE FY 2011		423,543.80
Tennessee State University	Department of Energy Chair of Excellence Professorship	81 / DE-FG02-94EW11428		773,523.85
Tennessee Wildlife Resources Agency	Oak Ridge Wildlife Management Area	81 / REORDOER-3-97-0702		184,625.20
University of Tennessee	National Renewable Energy Lab Stach	81 / ADC-1-40023-20		125,059.60
University of Tennessee	Secretariat Lab Energy R&D Group 2006	81 / 35584		2,939.44
University of Tennessee	Secretariat Lab Energy R&D Group 2010	81 / LERDWG		10,222.76
Subtotal Direct Programs			\$ 115,280,426.73	
Passed Through Georgia Environmental Finance Authority				
Tennessee Technological University	State Energy Program Special Projects	81.119 / SIEA2010-102	\$	61,445.24
Passed Through University of Minnesota				
Tennessee State University	ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122 / DE-0E0000427		7,172.14
Passed Through Florida Agricultural and Mechanical University				
Tennessee State University	National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123 / DE-FG02-94EW11431		14.64

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Argonne National Laboratory				
University of Tennessee	Argonne Natl Lab-Workshops-IESP-Dongarra	81 / WORKSHOPS-IESP		119,928.45
Subtotal Pass-Through Programs			\$	188,560.47
Subtotal Department of Energy			\$	115,468,987.20
Department of Education				
Direct Programs				
Jackson State Community College	Adult Education - Basic Grants to States	84.002	\$ 148,063.01	
Labor and Workforce Development	Adult Education - Basic Grants to States	84.002	12,566,453.33	\$ 12,714,516.34
Education	Migrant Education_State Grant Program	84.011		506,725.49
Education	Title I State Agency Program for Neglected and Delinquent Children	84.013		452,023.81
East Tennessee State University	Undergraduate International Studies and Foreign Language Programs	84.016	\$ 8,776.23	
University of Tennessee	Undergraduate International Studies and Foreign Language Programs	84.016	26,993.38	35,769.61
Austin Peay State University	Higher Education Institutional Aid	84.031	\$ 498,364.74	
Columbia State Community College	Higher Education_Institutional Aid	84.031	191,005.13	
Dyersburg State Community College	Higher Education_Institutional Aid	84.031	351,878.42	
Nashville State Community College	Higher Education_Institutional Aid	84.031	313,248.21	
Northeast State Community College	Higher Education_Institutional Aid	84.031	10,839.00	
Tennessee State University	Higher Education_Institutional Aid	84.031	7,393,397.47	8,758,732.97
Tennessee Student Assistance Corporation	Federal Family Education Loans	84.032		167,840,271.22
Education	Career and Technical Education -- Basic Grants To States	84.048	\$ 18,176,916.65	
Middle Tennessee State University	Career and Technical Education -- Basic Grants to States	84.048	4,677.97	18,181,594.62
Tennessee Student Assistance Corporation	Leveraging Educational Assistance Partnership	84.069		1,279,953.00
Austin Peay State University	Fund for the Improvement of Postsecondary Education	84.116	\$ 178,422.16	
Cleveland State Community College	Fund for the Improvement of Postsecondary Education	84.116	98,285.27	
East Tennessee State University	Fund for the Improvement of Postsecondary Education	84.116	76,545.16	
Middle Tennessee State University	Fund for the Improvement of Postsecondary Education	84.116	485,228.34	
Roane State Community College	Fund for the Improvement of Postsecondary Education	84.116	17,530.52	
Tennessee Board of Regents	Fund for the Improvement of Postsecondary Education	84.116	72,123.69	
University of Tennessee	Fund for the Improvement of Postsecondary Education	84.116	1,480,707.15	2,408,842.29
University of Memphis	Rehabilitation Long-Term Training	84.129	\$ 174,640.68	
University of Tennessee	Rehabilitation Long-Term Training	84.129	245,464.55	420,105.23
Education	Migrant Education_Coordination Program	84.144		222,510.34
University of Tennessee	Business and International Education Projects	84.153		5,877.98

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Education	Safe and Drug-Free Schools and Communities_National Programs	84.184	\$ 145,109.60	
University of Tennessee	Safe and Drug-Free Schools and Communities_National Programs	84.184	29,944.33	175,053.93
Education	Byrd Honors Scholarships	84.185		826,500.00
Education	Safe and Drug-Free Schools and Communities_State Grants	84.186		1,095,437.53
Education	Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	\$ 19,454.07	
Human Services	Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	503,412.00	522,866.07
Education	Even Start_State Educational Agencies	84.213		713,911.00
Human Services	Assistive Technology	84.224		512,296.00
Education	Tech-Prep Education	84.243		2,454,739.88
University of Tennessee	National Institute for Literacy	84.257		754,980.05
Human Services	Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training	84.265		240,343.20
Education	Charter Schools	84.282		5,449,021.76
Education	Twenty-First Century Community Learning Centers	84.287		11,046,659.66
Education	Special Education - State Personnel Development	84.323		786,238.72
University of Memphis	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		89,564.33
University of Tennessee	Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326		1,289,038.75
Education	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330		260,916.00
Correction	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	84.331		62,693.70
East Tennessee State University	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	\$ 482,175.16	
Tennessee Higher Education Commission	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	3,869,055.16	
University of Tennessee	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	555,569.94	4,906,800.26
East Tennessee State University	Child Care Access Means Parents in School	84.335	\$ 82,496.64	
Southwest Tennessee Community College	Child Care Access Means Parents in School	84.335	5,226.25	87,722.89
Austin Peay State University	Transition to Teaching	84.350	\$ 76,500.00	
Education	Transition to Teaching	84.350	(653,452.85)	(576,952.85)
Tennessee Arts Commission	Arts in Education	84.351		302,139.27
Education	Reading First State Grants	84.357		796,745.24
Education	Rural Education	84.358		4,200,557.74
Education	English Language Acquisition Grants	84.365		5,087,091.94
Education	Mathematics and Science Partnerships	84.366		2,322,900.53

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Education	Improving Teacher Quality State Grants	84.367	\$ 43,838,718.59	
Tennessee Higher Education Commission	Improving Teacher Quality State Grants	84.367	1,295,892.81	45,134,611.40
Education	Grants for State Assessments and Related Activities	84.369		4,310,434.80
Tennessee Higher Education Commission	College Access Challenge Grant Program	84.378		1,171,159.63
Education	ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395		51,426,877.63
Education	ARRA-Education Jobs Fund	84.410		83,441,765.22
Education	National Cooperative Education	84 / ED-08-CO-0064		5,240.50
Education	Statistic System-Basic Participation			
Education	NCES Task Order Contract: National Assessment of Educational Progress	84 / ED-03-CO-0091		107,309.06
Education	State Data Task Order	84 / ED-08-CO-0064		6,962.98
Education	State Data Task Order	84 / UNKNOWN		54,932.14
University of Tennessee	DEG P042A100675 SSS Gholston 10-11	84 / P042A100675		267,696.16
Subtotal Direct Programs			\$ 442,161,178.02	
Passed Through State of Oregon				
University of Tennessee	Adult Education - Basic Grants to States	84.002 / IGA0148	\$ (353.47)	
University of Tennessee	Adult Education - Basic Grants to States	84.002 / IGA0236	7,650.00	\$ 7,296.53
Passed Through Bedford County Department of Education				
Middle Tennessee State University	Fund for the Improvement of Education	84.215 / U215X100126		3,167.87
Passed Through The Pennsylvania State University				
University of Tennessee	National Institute for Literacy	84.257 / 4041-UTK-USDOE-0004		40,311.39
Passed Through Edvantia				
University of Tennessee	Parental Information and Resource Centers	84.310 / S-31000-07-004		17,960.63
Passed Through Alliance for Business and Training, Incorporated				
Northeast State Community College	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334 / GR-09-27367-00		20,787.34
Northeast State Community College	College Access Challenge Grant Program	84.378 / GR1134839		131.10
Passed Through Memphis City Schools				
University of Memphis	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334 / PO 05-00739-Z-05		126,200.22
University of Memphis	Memphis Career Connections (MC2)	84 / 2010-0789		8,606.26
Passed Through Signal Centers, Incorporated				
University of Tennessee	Child Care Access Means Parents in School	84.335 / CCR & R	\$ 997,868.53	

State of Tennessee
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Child Care Access Means Parents in School	84.335 / EAST CCR&R	5,226.77	1,003,095.30
Passed Through Drexel University				
University of Tennessee	Transition to Teaching	84.350 / 213025		103,250.47
Passed Through Sallie B. Howard School				
University of Tennessee	Arts in Education	84.351 / U351C090008		108,801.32
Passed Through National Writing Project Corporation				
Middle Tennessee State University	National Writing Project	84.928 / 05-TN03	\$ 34,925.87	
Tennessee Technological University	National Writing Project	84.928 / 08-TN04 AMEND NO. 2	32,373.23	
University of Tennessee	National Writing Project	84.928 / 94-TN02 AMEND #19	(20,013.23)	47,285.87
University of Tennessee	National Writing Project '11 Caruthers	84 / 94-TN02 AMEND #20		30,885.27
University of Tennessee	National Writing Project '12 Caruthers	84 / 94-TN02		41,729.61
University of Tennessee	National Writing Project '12 Prog. Income	84 / 94-TN02		810.00
Passed Through Clinton City Schools				
University of Tennessee	Clinton City Schools Consultation Spence	84 / CHILD NUTRITION CONS		633.68
Passed Through National Commission on Teaching				
University of Memphis	Teachers Learning in Networked Communities	84 / TLINC		11,250.00
Subtotal Pass-Through Programs			\$	1,572,202.86
Subtotal Department of Education			\$	443,733,380.88

National Archives and Records Administration

Direct Programs

State	National Historical Publications and Records Grants	89.003	\$ 51,195.61	
University of Tennessee	National Historical Publications and Records Grants	89.003	8,000.00	\$ 59,195.61
Subtotal National Archives and Records Administration			\$	59,195.61

U.S. Election Assistance Commission

Direct Programs

University of Tennessee	Help America Vote College Program	90.400	\$ 52,267.87	
State	Help America Vote Act Requirements Payments	90.401		760,772.68
Subtotal U.S. Elections Assistance Commission			\$	813,040.55

Department of Health and Human Services

Direct Programs

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Health	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	\$	20,293.74
Commission on Aging and Disability	Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		79,871.00
Commission on Aging and Disability	Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042		345,105.25
Commission on Aging and Disability	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043		428,101.00
Commission on Aging and Disability	Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048		482,038.43
Commission on Aging and Disability	Alzheimer's Disease Demonstration Grants to States	93.051		104,630.16
Commission on Aging and Disability	National Family Caregiver Support, Title III, Part E	93.052		2,824,885.00
Health	Public Health Emergency Preparedness	93.069		2,460,814.77
Health	Environmental Public Health and Emergency Response	93.070		190,309.32
Commission on Aging and Disability	Medicare Enrollment Assistance Program	93.071		150,188.00
Commission on Aging and Disability	Lifespan Respite Care Program	93.072		76,067.17
Mental Health	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087		355,076.45
Health	Emergency System for Advance Registration of Volunteer Health Professionals	93.089		56,802.72
Children's Services	Guardianship Assistance	93.090	\$ 1,457,714.74	
Children's Services	ARRA-Guardianship Assistance	93.090	65,223.65	1,522,938.39
Health	Food and Drug Administration_Research	93.103		3,027.00
Mental Health	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104		3,481,878.69
Health	Maternal and Child Health Federal Consolidated Programs	93.110	\$ 149,599.37	
University of Tennessee	Maternal and Child Health Federal Consolidated Programs	93.110	244,429.43	394,028.80
University of Tennessee	Environmental Health	93.113		1.53
Health	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		1,181,377.22
University of Tennessee	Oral Diseases and Disorders Research	93.121		21,605.40
University of Tennessee	Nurse Anesthetist Traineeships	93.124		35,357.00
Health	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		61,593.89
Health	Injury Prevention and Control Research and State and Community Based Programs	93.136		778,463.39
Mental Health	Projects for Assistance in Transition from Homelessness (PATH)	93.150		738,447.41

State of Tennessee
Schedule of Expenditures of Federal Awards
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Centers of Excellence	93.157		748,892.82
Health	Grants to States for Loan Repayment Program	93.165		42,402.00
University of Tennessee	Nursing Workforce Diversity	93.178		280,009.53
University of Tennessee	Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197		26,399.05
Health	Surveillance of Hazardous Substance Emergency Events	93.204		72,591.66
Health	Family Planning Services	93.217		5,414,243.81
East Tennessee State University	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224	\$ 1,181,953.88	
Health	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224	1,814,753.43	2,996,707.31
Health	Traumatic Brain Injury State Demonstration Grant Program	93.234		252,017.63
Health	State Capacity Building	93.240		195,482.13
Health	State Rural Hospital Flexibility Program	93.241		375,272.81
Mental Health	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	\$ 3,013,799.10	
University of Memphis	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	47,431.92	
University of Tennessee	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1,267,509.81	4,328,740.83
East Tennessee State University	Advanced Nursing Education Grant Program	93.247	\$ 179,309.32	
University of Memphis	Advanced Nursing Education Grant Program	93.247	202,652.31	
University of Tennessee	Advanced Nursing Education Grant Program	93.247	1,314,385.08	1,696,346.71
Health	Universal Newborn Hearing Screening	93.251		221,334.82
Health	Adult Viral Hepatitis Prevention and Control	93.270		26,722.75
University of Tennessee	Alcohol National Research Service Awards for Research Training	93.272		27,730.25
Mental Health	Substance Abuse and Mental Health Services-Access to Recovery	93.275		2,139,441.14
University of Tennessee	Drug Abuse and Addiction Research Programs	93.279		45,434.33
Health	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	\$ 20,555,667.92	
University of Tennessee	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	30,785.52	20,586,453.44
Health	State Partnership Grant Program to Improve Minority Health	93.296		110,125.26

State of Tennessee
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Health	Small Rural Hospital Improvement Grant Program	93.301		237,638.45
East Tennessee State University	Advanced Nursing Education Traineeships	93.358	\$ 56,926.00	
University of Tennessee	Advanced Nursing Education Traineeships	93.358	163,182.00	220,108.00
East Tennessee State University	Nurse Education, Practice and Retention Grants	93.359	\$ 251,634.70	
University of Tennessee	Nurse Education, Practice and Retention Grants	93.359	534,012.64	785,647.34
University of Tennessee	National Center for Research Resources	93.389		395,267.41
University of Tennessee	Cancer Detection and Diagnosis Research	93.394		10,750.00
East Tennessee State University	Cancer Research Manpower	93.398	\$ 312,306.54	
University of Tennessee	Cancer Research Manpower	93.398	20,432.64	332,739.18
Roane State Community College	ARRA-Equipment to Enhance Training for Health Professionals	93.411	\$ 174,805.00	
University of Tennessee	ARRA-Equipment to Enhance Training for Health Professionals	93.411	436,670.82	611,475.82
Health	ARRA-State Primary Care Offices	93.414		26,657.50
Health	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505		1,346,000.00
Health	Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507		70,632.86
Commerce and Insurance	Affordable Care Act (ACA) Grants to State for Health Insurance Premium Review	93.511		141,004.28
East Tennessee State University	ARRA-Affordable Care Act (ACA) Nurse-Managed Health Clinics	93.515		276,884.13
East Tennessee State University	Affordable Care Act (ACA) Public Health Training Centers Program	93.516		263,662.87
Commission on Aging and Disability	Affordable Care Act - Medicare Improvements for Patients and Providers	93.518		132,372.00
Commerce and Insurance	Affordable Care Act (ACA) - Consumer Assistance Program Grants	93.519		18,500.00
Health	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements	93.521		56,231.18
Finance and Administration	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525		193,770.85
East Tennessee State University	ARRA-Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526		269,005.85
Children's Services	Promoting Safe and Stable Families	93.556		13,631,753.66
Human Services	Child Support Enforcement	93.563	\$ 31,842,647.46	
Human Services	ARRA-Child Support Enforcement	93.563	7,321,182.00	39,163,829.46
Human Services	Child Support Enforcement Research	93.564		185,816.33
Human Services	Low-Income Home Energy Assistance	93.568		84,807,522.02
Court System	State Court Improvement Program	93.586		769,159.01
Children's Services	Community-Based Child Abuse Prevention Grants	93.590		895,626.00

State of Tennessee
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Human Services	Grants to States for Access and Visitation Programs	93.597		160,932.46
Children's Services	Chafee Education and Training Vouchers Program (ETV)	93.599		744,039.71
Children's Services	Adoption Incentive Payments	93.603		554,400.00
State	Voting Access for Individuals with Disabilities_Grants to States	93.617		7,915.06
Intellectual and Developmental Disabilities	Developmental Disabilities Basic Support and Advocacy Grants	93.630		1,719,640.43
University of Tennessee	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632		509,792.96
Children's Services	Children's Justice Grants to States	93.643		355,962.24
Children's Services	Stephanie Tubbs Jones Child Welfare Services Program	93.645		3,455,105.15
University of Tennessee	Child Welfare Research Training or Demonstration	93.648		1,027,859.98
Children's Services	Foster Care_Title IV-E	93.658	\$ 45,252,048.82	
Children's Services	ARRA-Foster Care_Title IV-E	93.658	1,190,456.00	46,442,504.82
Children's Services	Adoption Assistance	93.659	\$ 36,933,714.92	
Children's Services	ARRA-Adoption Assistance	93.659	2,152,472.92	39,086,187.84
Human Services	Social Services Block Grant	93.667		29,578,655.31
Children's Services	Child Abuse and Neglect State Grants	93.669		501,015.00
Finance and Administration	Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671		1,795,297.92
Children's Services	Chafee Foster Care Independence Program	93.674		1,832,210.90
University of Tennessee	ARRA-Trans-NIH Recovery Act Research Support	93.701		176,906.91
East Tennessee State University	ARRA-Grants to Health Center Programs	93.703	\$ 234,321.64	
Health	ARRA-Grants to Health Center Programs	93.703	395,315.35	629,636.99
Health	ARRA-Preventing Healthcare-Associated Infections	93.717		728,625.89
Finance and Administration	ARRA-State Grants to Promote Health Information Technology	93.719		937,644.43
Health	ARRA-Prevention and Wellness-State, Territories and Pacific Islands	93.723		585,193.83
Health	ARRA-Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724		48,779.02
Commission on Aging and Disability	ARRA-Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725		405,637.40
Finance and Administration	Children's Health Insurance Program	93.767		156,476,433.23
Commission on Aging and Disability	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	\$ 1,057,610.08	
Mental Health	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	37,162.92	1,094,773.00
Finance and Administration	Alternate Non-Emergency Service Providers or Networks	93.790		1,034,147.90
Finance and Administration	Medicaid Transformation Grants	93.793		0.03
University of Tennessee	Cardiovascular Diseases Research	93.837		346.01
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		50,031.37

State of Tennessee
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855		56,778.33
University of Tennessee	Microbiology and Infectious Diseases Research	93.856		1.44
Tennessee State University	Biomedical Research and Research Training	93.859	\$ 258,863.21	
University of Tennessee	Biomedical Research and Research Training	93.859	675,848.71	934,711.92
University of Tennessee	Vision Research	93.867		29,124.44
East Tennessee State University	Grants for Training in Primary Care Medicine and Dentistry	93.884		576,140.80
Middle Tennessee State University	Health Care and Other Facilities	93.887		30,123.21
Health	National Bioterrorism Hospital Preparedness Program	93.889		8,844,991.94
Tennessee State University	Family and Community Violence Prevention Program	93.910		309,254.68
Health	Grants to States for Operation of Offices of Rural Health	93.913		179,999.99
Health	HIV Care Formula Grants	93.917		21,621,151.71
Education	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938		196,646.10
Health	HIV Prevention Activities_Health Department Based	93.940		4,826,903.24
Health	HIV Demonstration, Research, Public and Professional Education Projects	93.941		353,311.16
Health	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943		991,349.29
Health	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		1,149,469.36
Health	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946		130,329.66
Mental Health	Block Grants for Community Mental Health Services	93.958		6,287,551.84
Mental Health	Block Grants for Prevention and Treatment of Substance Abuse	93.959		22,716,396.52
Health	Preventive Health Services_ Sexually Transmitted Diseases Control Grants	93.977		1,894,007.24
Mental Health	Mental Health Disaster Assistance and Emergency Mental Health	93.982		1,904,516.54
Health	Preventive Health and Health Services Block Grant	93.991		2,009,075.45
Health	Maternal and Child Health Services Block Grant to the States	93.994		8,408,747.14
Subtotal Direct Programs			\$	573,611,562.00
Passed Through Vanderbilt University				
Tennessee State University	Maternal and Child Health Federal Consolidated Programs	93.110 / 5T73MC00050-11	\$ 8,982.33	
Tennessee State University	Maternal and Child Health Federal Consolidated Programs	93.110 / T83MC00008-55	28,122.68	
University of Tennessee	Maternal and Child Health Federal Consolidated Programs	93.110 / VUMC CA6915 AMEND #12	7,307.52	\$ 44,412.53

State of Tennessee
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Kirkwood Community College				
University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	93.142 / 5 U45 ES010658-10		8,107.88
Passed Through National Partnership for Environmental Technology Education				
University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	93.142 / 10421		92,943.49
Passed Through University of Cincinnati				
University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	93.142 / 7038	\$ 238,745.39	
University of Tennessee	NIEHS Hazardous Waste Worker Health and Safety Training	93.142 / 5U45ES006184-18	(18,891.09)	219,854.30
Passed Through Community Health Network				
East Tennessee State University	Telehealth Programs	93.211 / 6H2AIT16623		40,290.57
Passed Through Morehouse School of Medicine				
Tennessee State University	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243 / TI-020447		648.00
Passed Through University of North Carolina at Chapel Hill				
East Tennessee State University	Public Health Training Centers Grant Program	93.249 / UNKNOWN		19,434.15
Passed Through United Way of Chattanooga				
University of Tennessee	ARRA-Alcohol Research Programs	93.273 / GOLD SNEAKER PROJECT		24,884.79
Passed Through Meharry Medical College				
Tennessee State University	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283 / 5U84DD000443 03		4,943.12
Tennessee State University	Geriatric Education Centers	93.969 / 1D31HP08823-02-01	\$ 19,905.21	
Tennessee State University	Geriatric Education Centers	93.969 / 1UB4HP19055-01	9,744.06	29,649.27
Passed Through Methodist LeBonheur Healthcare				
University of Memphis	Nurse Education, Practice and Retention Grants	93.359 / P O 91530		0.44
Passed Through QSource				
University of Memphis	ARRA-Health Information Technology Regional Extension Centers Program	93.718 / 470UM		36,638.25
Passed Through Pitt Community College				
Dyersburg State Community College	ARRA-State Grants to Promote Health Information Technology	93.719 / 90CC0078/02		246,417.59
Chattanooga State Community College	ARRA-Health Information Technology Professionals in Health Care	93.721 / 90CC0078/01	\$ 99,517.36	

State of Tennessee
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Walters State Community College	ARRA-Health Information Technology Professionals in Health Care	93.721 / 90CC0078/01	204,808.71	304,326.07
Passed Through Carnegie Mellon University				
Tennessee State University	Biomedical Research and Research Training	93.859 / 5T36GM008789-08		6,284.22
Passed Through United Way of the Mid South				
University of Memphis	HIV Prevention Activities_Health Department Based	93.940 / UWROYHIV		13,831.61
Passed Through University of Kentucky Research Foundation				
East Tennessee State University	Geriatric Education Centers	93.969 / 3048107605-11-117		88,309.02
Passed Through Research Triangle Institute International				
Mental Health	WITS Technical Assistance	93 / 44-312-0209818		7,740.00
Passed Through Slippery Rock University				
Tennessee Technological University	Slippery Rock University I Can Do It, You Can Do It! Upper Cumberland Expansion	93 / HHSP233200844EC		13,712.39
Passed Through University of Maryland				
University of Tennessee	University of Maryland - Lindsay	93 / NO1-LM-6-3502	\$ 985.00	
University of Tennessee	University of Maryland - Oelschlegel	93 / NO1-LM-6-3502	1,021.04	
University of Tennessee	University of Maryland - Vaughn	93 / NO1-LM-6-3502	1,323.56	3,329.60
Subtotal Pass-Through Programs				<u>\$ 1,205,757.29</u>
Subtotal Department of Health and Human Services				<u>\$ 574,817,319.29</u>

Corporation for National and Community Service

Direct Programs

Finance and Administration	State Commissions	94.003		\$ 296,502.39
Education	Learn and Serve America_School and Community Based Programs	94.004	\$ 32,780.76	
Finance and Administration	Learn and Serve America_School and Community Based Programs	94.004	584,764.98	617,545.74
Dyersburg State Community College	AmeriCorps	94.006	\$ 11,419.00	
Finance and Administration	AmeriCorps	94.006	4,055,724.47	
Finance and Administration	ARRA-AmeriCorps	94.006	151,232.84	4,218,376.31
Finance and Administration	Program Development and Innovation Grants	94.007		62,992.01
Finance and Administration	Training and Technical Assistance	94.009		126,515.84
Subtotal Corporation for National and Community Service				<u>\$ 5,321,932.29</u>

Department of Homeland Security

Direct Programs

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Tennessee Wildlife Resources Agency	Boating Safety Financial Assistance	97.012	\$	2,277,821.76
Economic and Community Development	Community Assistance Program State Support Services Element (CAP-SSSE)	97.023		124,941.93
Military	Flood Mitigation Assistance	97.029		68,239.49
Labor and Workforce Development	Disaster Unemployment Assistance	97.034		505,310.66
Military	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		65,543,218.80
Military	Hazard Mitigation Grant	97.039		1,312,526.14
Environment and Conservation	National Dam Safety Program	97.041		91,420.00
Military	Emergency Management Performance Grants	97.042		3,814,031.00
Commerce and Insurance	State Fire Training Systems Grants	97.043		22,493.27
Commerce and Insurance	Assistance to Firefighters Grant	97.044		159,997.73
Military	Pre-Disaster Mitigation	97.047		1,096,702.32
Economic and Community Development	Map Modernization Management Support	97.070		259,624.00
Military	Buffer Zone Protection Program (BZPP)	97.078		464,265.34
Military	Earthquake Consortium	97.082		77,219.79
Safety	Driver's License Security Grant Program	97.089		279,484.61
University of Memphis	Degrees at a Distance Program	97.103		8,921.71
Military	Inoperable Communications and Training Project	97.124		2,393,384.04
University of Tennessee	HLS 08GTT8K017 Nat'l Training-Thompson	97 / 08GTT8K017		(11,213.21)
University of Tennessee	HLS 08GTT8K021 Food-CVM/Draughn	97 / 2008GTT8K021		712,739.58
University of Tennessee	HLS 08GTT8K026 Animal-CVM/Hopkins	97 / 2008GTT8K026		598,506.55
University of Tennessee	HLS 09DMT9K012 Assessment Trng-Thompson	97 / 2009DMT025012		86,566.97
University of Tennessee	HLS 10DMT0K004 Asmnt Trng 2010-Thompson	97 / 2010DMT0K004		219,527.86
Subtotal Direct Programs			\$	80,105,730.34
Passed Through Eastern Kentucky University				
East Tennessee State University	State and Local Homeland Security National Training Program	97.005 / EKU 07-317	\$	12,738.13
East Tennessee State University	State and Local Homeland Security National Training Program	97.005 / UNKNOWN	325,156.79	\$ 337,894.92
Subtotal Pass-Through Programs			\$	337,894.92
Subtotal Department of Homeland Security			\$	80,443,625.26
Agency for International Development				
Direct Programs				
Tennessee State University	Minority Serving Institutions Technical Assistance & Capacity Building Conference	98 / 74377	\$	15,000.00
Subtotal Direct Programs			\$	15,000.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Purdue University			
Tennessee State University	USAID Foreign Assistance for Programs Overseas	98.001 / EPP-A-00-09-00004	\$ 399.36
Subtotal Pass-Through Programs			<u>\$ 399.36</u>
Subtotal Agency for International Development			<u>\$ 15,399.36</u>
Other Federal Assistance			
Office of National Drug Control Policy			
Passed Through Laurel County Fiscal Court			
Safety	Appalachia High Intensity Drug Trafficking Area	07 / I5PAPP501	\$ 42,904.64
Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	07 / C01-03-10-08-68	21,215.06
Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	07 / G11AP0001A	128,214.05
Tennessee Bureau of Investigation	Appalachia High Intensity Drug Trafficking Area	07 / I10-PAPP501	172,978.38
Subtotal Office of National Drug Control Policy			<u>\$ 365,312.13</u>
Tennessee Valley Authority			
Direct Programs			
Pellissippi State Community College	Tennessee Valley Region_Economic Development	62.004	\$ 184,105.35
Military	Tennessee Valley Authority Emergency Preparedness	62 / TVA2008	1,241.31
Military	Tennessee Valley Authority Emergency Preparedness	62 / TVA2009	(1,148.49)
Military	Tennessee Valley Authority Emergency Preparedness	62 / TVA FFY 2010 AWARD	693,748.36
Military	Tennessee Valley Authority Emergency Preparedness	62 / FY2010-2014 TVA AWARD	537,610.43
University of Tennessee	TVA NO98 Stormwater Mgt-Vandergriff	62 / RELEASE 80	20.00
University of Tennessee	TVA PO # 267095 Sullivan	62 / PO # 267095	732.02
University of Tennessee	TVA-Release No. 25 - Gangaware	62 / PO # 81093	13,922.70
University of Tennessee	TVA-Release No. 55 - Gangaware	62 / PO # 92321	14,744.53
University of Tennessee	TVA-Ridley-Women Minority Bus	62 / 2454	10,930.05
University of Tennessee	TVA-Women Minority Business FY11-Flynn	62 / 3823	21,020.59
Subtotal Direct Programs			<u>\$ 1,476,926.85</u>
Passed Through Weekend Academy			
Tennessee State University	TVA/TSU Weekend Academy	62 / 99BB4-250691	\$ (46,684.80)
Subtotal Pass-Through Programs			<u>\$ (46,684.80)</u>
Subtotal Tennessee Valley Authority			<u>\$ 1,430,242.05</u>

State of Tennessee
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For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Nuclear Regulatory Commission				
Direct Programs				
University of Tennessee	U.S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006	\$	139,714.27
University of Tennessee	U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008		233,151.24
Tennessee State University	Minority Serving Institutions Technical Assistance & Capacity Building Conference	77 / NRC-27-10-510		28,363.16
Subtotal Nuclear Regulatory Commission			\$	401,228.67
Subtotal Other Federal Assistance			\$	2,196,782.85
Total Unclustered Programs			\$	3,348,504,137.62
Research and Development Cluster				
Department of Agriculture				
Agricultural Research Service				
Direct Programs				
Tennessee State University	Agricultural Research_Basic and Applied Research	10.001	\$	483,633.66
Tennessee Technological University	Agricultural Research_Basic and Applied Research	10.001		10,799.80
University of Memphis	Agricultural Research_Basic and Applied Research	10.001		2,944.02
University of Tennessee	Agricultural Research_Basic and Applied Research	10.001	1,272,521.23	\$ 1,769,898.71
Subtotal Agricultural Research Service			\$	1,769,898.71
Animal and Plant Health Inspection Service				
Direct Programs				
Tennessee State University	Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$	56,207.42
Subtotal Animal and Plant Health Inspection Service			\$	56,207.42
Economic Research Service				
Direct Programs				
University of Tennessee	Agricultural and Rural Economic Research	10.250	\$	77,282.36
Subtotal Economic Research Service			\$	77,282.36
Food and Nutrition Service				

Passed Through Metropolitan Government of Nashville

State of Tennessee
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Tennessee State University	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557 / GG1030160-01	\$	47,188.27
Subtotal Food and Nutrition Service			\$	47,188.27
Foreign Agricultural Service				
Direct Programs				
University of Tennessee	Cochran Fellowship Program-International Training-Foreign Participant	10.962	\$	3,073.00
Subtotal Foreign Agricultural Service			\$	3,073.00
Forest Service				
Direct Programs				
University of Memphis	Forestry Research	10.652	\$	401.25
University of Tennessee	Forestry Research	10.652	138,915.33	\$ 139,316.58
University of Memphis	Cooperative Forestry Assistance	10.664		110.34
University of Tennessee	Forest Health Protection	10.680		184,151.55
Subtotal Direct Programs			\$	323,578.47
Passed Through National Fish and Wildlife Foundation				
University of Tennessee	National Fish and Wildlife Foundation	10.683 / 2010-0005-000	\$	322,018.43
Subtotal Pass-Through Programs			\$	322,018.43
Subtotal Forest Service			\$	645,596.90
National Institute of Food and Agriculture				
Direct Programs				
Middle Tennessee State University	Grants for Agricultural Research, Special Research Grants	10.200	\$	73,860.86
Tennessee State University	Grants for Agricultural Research, Special Research Grants	10.200		3,290.95
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200	1,505,982.68	\$ 1,583,134.49
Tennessee State University	Cooperative Forestry Research	10.202		27,242.74
Tennessee State University	Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205		3,112,169.33
University of Tennessee	Animal Health and Disease Research	10.207		4,008.84
Tennessee State University	1890 Institution Capacity Building Grants	10.216		783,232.00
University of Tennessee	Higher Education Challenge Grants	10.217		16,711.81
University of Tennessee	Biotechnology Risk Assessment Research	10.219		245,139.03
Tennessee State University	Integrated Programs	10.303	\$	267,507.27
University of Tennessee	Integrated Programs	10.303	165,536.33	433,043.60
University of Tennessee	Organic Agriculture Research and Extension Initiative	10.307		22,199.25
University of Tennessee	Specialty Crop Research Initiative	10.309		9,652.60
Tennessee State University	Agriculture and Food Research Initiative (AFRI)	10.310	\$	134,052.40

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Agriculture and Food Research Initiative (AFRI)	10.310	544,755.05	678,807.45
University of Tennessee	Sun Grant Program	10.320		14,913.53
Subtotal Direct Programs			\$	6,930,254.67
Passed Through South Dakota State University				
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / 3TF050	\$	6,039.87
Passed Through University of Georgia				
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / RD309-061/9039907		9,519.38
University of Tennessee	Sustainable Agriculture Research and Education	10.215 / RD309-109/4787876		583.02
Passed Through University of Hawaii				
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / PO Z960240		24,565.62
University of Tennessee	Biotechnology Risk Assessment Research	10.219 / 2889453		17,410.46
Passed Through University of Kentucky				
University of Tennessee	Grants for Agricultural Research, Special Research Grants	10.200 / 304810659010143		14,152.64
University of Tennessee	Biotechnology Risk Assessment Research	10.219 / 304803920007119		528.78
Passed Through Tuskegee University				
Tennessee State University	1890 Institution Capacity Building Grants	10.216 / 2007-38820-18523		2,701.16
Passed Through North Carolina State University				
University of Tennessee	Integrated Programs	10.303 / ADVANCED ACCOUNT		22,982.99
Passed Through Texas Agricultural and Mechanical University				
Tennessee State University	Integrated Programs	10.303 / 2008-51130-19537		47,271.47
Passed Through University of Arkansas-Pine Bluff				
Tennessee State University	Integrated Programs	10.303 / 2008-51110-19303		7,722.80
Passed Through Virginia Polytechnic Institute and State University				
University of Tennessee	Integrated Programs	10.303 / 545850-19121		13,870.68
Passed Through Cornell University				
University of Tennessee	Specialty Crop Research Initiative	10.309 / 613414-9392 YEAR 1		16,670.72
Passed Through Washington State University				
University of Tennessee	Specialty Crop Research Initiative	10.309 / 112674-G002611		200,836.48
University of Tennessee	Agriculture and Food Research Initiative (AFRI)	10.310 / 115334 G002889		1,073.40
Subtotal Pass-Through Programs			\$	385,929.47

State of Tennessee
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Subtotal National Institute of Food and Agriculture			\$	7,316,184.14
Natural Resources Conservation Service				
Direct Programs				
University of Tennessee	Soil and Water Conservation	10.902	\$	63,328.89
Subtotal Natural Resources Conservation Service			\$	63,328.89
Other Programs				
Direct Programs				
East Tennessee State University	Grants for Agricultural Research_	10.206	\$	21,541.78
	Competitive Research Grants			
Tennessee State University	Grants for Agricultural Research_	10.206		472.93
	Competitive Research_Grants			
Tennessee Technological University	Grants for Agricultural Research_	10.206		114,916.58
	Competitive Research_Grants			
University of Tennessee	Grants for Agricultural Research_	10.206	750,444.19	\$ 887,375.48
	Competitive Research_Grants			
University of Tennessee	Long Term Standing Agreements For	10.999		199,315.52
	Storage, Transportation And Lease			
Austin Peay State University	USDA Forest Service, Land Between	10 / 10-PA-11086000-004		1,974.32
	the Lakes			
University of Tennessee	NRCS 693A759133 Grazing-Keyser	10 / 693A759133		178,977.26
University of Tennessee	TAES Hatch McIntire Stennis	10 / HATCH		840.90
University of Tennessee	USDA - NCRS - CESU - Gale	10 / 68-7482-11-514		388.25
University of Tennessee	USDA 085521518799 After School-	10 / 20085521518799		115,229.55
	Moussa			
University of Tennessee	USDA APHIS Improving TN	10 / 10-8247-0723-CA		217,455.81
	Hemlock-Grant			
University of Tennessee	USDA ARS 5864357194 Cotton Prop-	10 / 58-6435-7-194-AMEND3		4,571.58
	Vogt			
University of Tennessee	USDA ARS Pathogens-Horvath	10 / 58-1230-0-466		15,848.78
University of Tennessee	USDA FS 05CR11330128204 Trends-	10 / SRS05CR11330128204		2,045.17
	Franzreb			
University of Tennessee	USDA FS 07CR11330134108	10 / 07CR11330134108		653.24
	Neotrpcl-Franzre			
University of Tennessee	USDA FS 09CR11330134077 Habitat-	10 / 09CR11330134077		575.56
	Belli			
University of Tennessee	USDA FS 09CR11330145029 FIA	10 / 09CR11330145029		72,796.45
	2009-Belli			
University of Tennessee	USDA FS 09CS11080400029 Sngbd-	10 / 09CS11080400029		2,765.09
	Buehler			
University of Tennessee	USDA FS 09JV11242311106 Pln-	10 / 09JV11242311-106		389.00
	Schlarbaum			
University of Tennessee	USDA FS 10CA11330134041 Oak-	10 / 10CA11330134041		10,000.00
	Schlarbaum			
University of Tennessee	USDA FS 10CR11330134023 Data-	10 / 10CR11330134023		11,141.42
	Belli			
University of Tennessee	USDA FS 10JV11330134066 Chsnt-	10 / 10JV11330134066		39,449.24
	Schlarbaum			
University of Tennessee	USDA FS Genetic Specialist -	10 / 10-CS-1108-3133-001		14,356.31
	Schlarbaum			
University of Tennessee	USDA FS National Survey 2011-Fly	10 / 11CR11330109-029		1,386.82
University of Tennessee	USDA FS National Survey-Fly	10 / 08CR11330109079		5,793.04
University of Tennessee	USDA FS Rearing Predators TN Rls-	10 / 10-DG-11083150-011		5,950.50
	Parkman			
University of Tennessee	USDA FS Sasajiscymnus-Grant	10 / 10-CA-11330129-054		18,535.70

State of Tennessee
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For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Tennessee	USDA FS Songbird Community-Buehler	10 / SRS09CA-11330134-028	(19,609.83)
University of Tennessee	USDA Household Food Demand-Yen	10 / 58-4000-7-0029	1,138.78
University of Tennessee	USDA NIFA Anaerobic Soil-Butler	10 / 2010-51102-21707	65,837.67
University of Tennessee	USDA NIFA Dairy Cows SUAM	10 / ADVANCED ACCOUNT	7,206.52
	Vaccntd-Oliver		
University of Tennessee	USDA NIFA Pollen-Mediate Gene-Stewart	10 / ADVANCED ACCOUNT	2,164.47
University of Tennessee	USDA NRCS 685C161061 Bnchmrk Soil-Ammons	10 / 685C161061	8,704.83
University of Tennessee	USDA NRCS 68748210540	10 / 68-7482-10-540	287,012.37
	Easements-Gray		
University of Tennessee	USDA-05-PA-11081209-040-Anderson	10 / 05-PA-11081209-040	11,241.02
University of Tennessee	USDA-09-PA-11080600-017 -Anderson	10 / 09-PA-11080600-017	19,213.26
Subtotal Direct Programs			\$ 2,190,724.08
Passed Through Cornell University			
University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	10.206 / 48718-8060	\$ 25,888.43
Passed Through Kansas State University			
University of Tennessee	Grants for Agricultural Research_Competitive Research Grants	10.206 / S09032	58,464.40
Passed Through University of Kentucky Research Foundation			
University of Memphis	Grants for Agricultural Research_Competitive Research Grants	10.206 / 3048105000-09-275	57,535.31
Subtotal Pass-Through Programs			\$ 141,888.14
Subtotal Other Programs			\$ 2,332,612.22
Subtotal Department of Agriculture			\$ 12,311,371.91
Department of Commerce			
Other Programs			
Direct Programs			
University of Tennessee	Special Oceanic and Atmospheric Projects	11.460	\$ 394,247.73
East Tennessee State University	Meteorologic and Hydrologic Modernization Development	11.467	10,314.63
University of Tennessee	Center for Sponsored Coastal Ocean Research_Coastal Ocean Program	11.478	4,578.29
University of Memphis	Measurement and Engineering Research and Standards	11.609	16,116.77
University of Tennessee	Measurement and Engineering Research and Standards	11.609	16,861.15
Subtotal Direct Programs			\$ 442,118.57
Passed Through Clarkson University			
University of Tennessee	Sea Grant Support	11.417 / 375-34406-1-CLKSN-67	\$ 1,549.31

State of Tennessee
Schedule of Expenditures of Federal Awards
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Subtotal Pass-Through Programs			\$ 1,549.31
Subtotal Department of Commerce			\$ 443,667.88
Department of Defense			
Department of the Air Force, Materiel Command			
Direct Programs			
University of Tennessee	Air Force Defense Research Sciences Program	12.800	\$ 1,212,995.55
Subtotal Direct Programs			\$ 1,212,995.55
Passed Through University of Dayton			
Tennessee State University	Air Force Defense Research Sciences Program	12.800 / FA8650-09-D-3944/0006	\$ 90,298.50
Passed Through University of Houston			
University of Tennessee	Air Force Defense Research Sciences Program	12.800 / SUB NO R-09-0127-02	64,137.13
Subtotal Pass-Through Programs			\$ 154,435.63
Subtotal Department of the Air Force, Materiel Command			\$ 1,367,431.18
National Security Agency			
Direct Programs			
Middle Tennessee State University	Mathematical Sciences Grants Program	12.901	\$ 26,346.45
University of Tennessee	Mathematical Sciences Grants Program	12.901	12,364.67 \$ 38,711.12
University of Memphis	Information Security Grant Program	12.902	13,223.05
Subtotal National Security Agency			\$ 51,934.17
U.S. Army Materiel Command			
Direct Programs			
Tennessee State University	Basic Scientific Research	12.431	\$ 140,904.92
University of Memphis	Basic Scientific Research	12.431	610,516.71
University of Tennessee	Basic Scientific Research	12.431	361,583.75 \$ 1,113,005.38
Subtotal Direct Programs			\$ 1,113,005.38
Passed Through State University of New York			
Tennessee State University	Basic Scientific Research	12.431 / W911NF-09-1-0392	\$ 83,160.62
Passed Through University of California at Berkeley			
University of Memphis	Basic Scientific Research	12.431 / SA5213-11807	14,571.71
Subtotal Pass-Through Programs			\$ 97,732.33

State of Tennessee
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Subtotal U.S. Army Materiel Command			\$	1,210,737.71
Other Programs				
Direct Programs				
Tennessee Technological University	Basic and Applied Scientific Research	12.300	\$ 614,950.80	
University of Memphis	Basic and Applied Scientific Research	12.300	(118.14)	
University of Tennessee	Basic and Applied Scientific Research	12.300	2,301,332.77	\$ 2,916,165.43
University of Tennessee	Basic Scientific Research - Combating Weapons of Mass Destruction	12.351		397,268.82
University of Memphis	Military Medical Research and Development	12.420	\$ 452,469.83	
University of Tennessee	Military Medical Research and Development	12.420	1,754,806.58	2,207,276.41
Tennessee State University	Basic, Applied, and Advanced Research in Science and Engineering	12.630		(11,345.13)
Tennessee Technological University	Life Modelings of Li-on Cells	12 / NRO-000-07-C-0104 MOD P00001		9,951.96
Tennessee Technological University	Life Modelings of Li-on Cells - Phase II	12 / NRO-000-09-C-0056		274,764.74
Tennessee Technological University	Army CECOM Power Institute Phase 3	12 / W909MY-08-C-0033 AMEND #P0002		4.58
Tennessee Technological University	Army CECOM Power Institute Phase 4	12 / W909MY-09-C-0058		875,609.15
Tennessee Technological University	Ecological Assessment of Wetland Inventory at Fort Campbell, KY	12 / W912DY-07-2-0045 MOD. P00002		17,923.52
University of Memphis	Agile Test & Evaluation Roundtable Discussion	12 / HC1028-10-P-2306		15,000.00
University of Tennessee	AF AF9101-06-D-0001/0006 Moeller	12 / FA9101-06-D-00010006		67,102.29
University of Tennessee	AF FA7014-06-D-0019-T9-GO/SES Course	12 / FA7014-06-D-0019-T9		8,526,742.01
University of Tennessee	AF FA7014-10-D-0012-T1-Clin 0001-Sal	12 / FA7014-10-D-0012-T1		2,156,098.85
University of Tennessee	AF FA8650-09-C-7916 - Dongarra	12 / FA8650-09-C-7916		441,786.69
University of Tennessee	AF FA9101-06-0001-0009 Flandro	12 / FA9101-06-D-0001-009		45,223.22
University of Tennessee	AF FA9101-06-0001-0010 Moeller	12 / FA9101-06D-0001-0010		4,282.68
University of Tennessee	AF FA9101-06-D-0001/0002 Bomar	12 / FA9101-06-D0001/0002		22,241.78
University of Tennessee	AF FA9101-06-D-0001/0004 Davenport	12 / FA9101-06-D-00010004		10,583.94
University of Tennessee	AF FA9101-06-D-0001/0007 Muratore	12 / FA9101-06D-0001/0007		4,015.10
University of Tennessee	AF FA9101-06-D-0001/0013 Vakili	12 / FA9101-06-D-0001/013		31,869.22
University of Tennessee	AF FA9101-06-D-0001/0014 Moeller	12 / FA9101-06-D-0001/014		8,894.24
University of Tennessee	AF FA9550-09-1-0570 Steinhoff	12 / FA9550-09-1-0570		101,754.42
University of Tennessee	AF IPA - Balven	12 / IPA -AF-BALVEN		127,408.37
University of Tennessee	AF-FA8750-09-1-0185 - Peterson	12 / FA8750-09-1-0185-P05		50,705.55
University of Tennessee	AF-FA9101-06-D-0001-DT&E (UTSI) - Miller	12 / FA9101-06-D-0001-012		53,697.17
University of Tennessee	Army Bimolecular Architectures-Stewart	12 / W911NF0810107		42,888.94
University of Tennessee	Army CERL/CESU Vehicle Dynamics-Ayers	12 / W9132T-08-2-0004		105,116.73
University of Tennessee	Army Grant W81XWH-07-1-0248-Tigyi	12 / W81XWH-07-1-0248		(469.65)
University of Tennessee	Army Military Installations-Ayers	12 / W9132T-10-2-0002		2,884.61
University of Tennessee	Army W911NF-10-1-0282 Mays	12 / W911NF-10-1-0282		105,012.69
University of Tennessee	Army W911NF-10-1-0297 Mays	12 / W911NF-10-1-0297-P01		69,733.37
University of Tennessee	Army W912HQ-08-C-0009 - Parker	12 / W912HQ-08-C-0009		399,282.65
University of Tennessee	DOD Acoustic Aerial Monitoring-Worley	12 / W912HZ-11-2-0024		117,454.42

State of Tennessee
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Tennessee	ONR Qulty Dfcts MRE/TTI Values-Zivanovic	12 / SP4701-08-D-0014	12,042.43
University of Tennessee	ONR SP010302D0014 Applesauce-Zivanovic	12 / SP010302D0014	63,229.01
University of Tennessee	ONR SP010302D0014 Wet Pack-Mount	12 / SP010302D0014	32,279.79
University of Tennessee	ONR SP470108D0014 CORANET Trvl-Zivanovic	12 / SP470108D0014	5,484.01
University of Tennessee	ONR SP470108D0014 MRE Pckg Sawhney	12 / SP470108D0014 ORDER3	41,937.15
University of Tennessee	ONR SP470108D001402 Vitamins-Zivanovic	12 / SP470108D0014-0002	51,801.16
University of Tennessee	ONR-N00014-09-C-0834 - Hayward	12 / N00014-09-C-0834	603,172.00
University of Tennessee	SERDP W912HQ10C0006 Sb Lead-Essington	12 / W912HQ-10-C-0006	111,053.84
University of Tennessee	US Army Evaluate Bacterial Spore-Ye	12 / W911QY-09-0184	6,838.02
University of Tennessee	US ARMY SMDC W9113M-09-C-0038 Whitfield	12 / W9113M-09-C0038	346,281.20
University of Tennessee	US ARMY Space & Missile Def Com-Horn	12 / W9113M-09-C-0188	227,316.70
University of Tennessee	US Army W912HQ-10-C-0062 Loeffler	12 / W912HQ-10-C-0062	143,669.59
University of Tennessee	USArmyCorpsEngr-W912P5-10-P-0012 Bray	12 / W912P5-10-P-0012	33,871.58
Subtotal Direct Programs			\$ 20,875,905.25
Passed Through Florida Atlantic University			
University of Tennessee	Basic and Applied Scientific Research	12.300 / TRH20 PO# P0909901	\$ (317.33)
Passed Through Children's Research Institute			
University of Tennessee	Military Medical Research and Development	12.420 / W81XWH-09-1-0592	34,813.10
Passed Through National Trauma Institute			
University of Tennessee	Military Medical Research and Development	12.420 / W81XWH0810758	75,677.87
Passed Through University of Connecticut			
University of Tennessee	Military Medical Research and Development	12.420 / PSA 524631 / 6911	57,565.86
Passed Through Thurgood Marshall College Fund			
Tennessee State University	Basic, Applied, and Advanced Research in Science and Engineering	12.630 / 32698	4,423.78
Passed Through Academy of Applied Science			
Tennessee State University	Research and Engineering Apprentice Program	12 / DAAH04-93-G-0163	3,400.19
Passed Through Arkansas State University			
University of Memphis	Sensors for Material Identification, Detection, and Characterization	12 / W15P7T 10 C A012	114,717.00

State of Tennessee
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Auburn University			
University of Tennessee	Auburn Univ 10-ENG-202607-UTK Tolbert Y1	12 / 10-ENG-202607-UTK	96,051.66
Passed Through Marshall University Research Corporation			
University of Tennessee	Marshall Univ Research Corp 210232 Bray	12 / 210232PO#RC-P1100146	222,226.47
University of Tennessee	Marshall Univ Research Corp 2011- 232 Bray	12 / P1200033	12,201.31
Passed Through Ohio State University Research Foundation			
University of Tennessee	OSU 60020780 Pb As Cleanup Goals- Jardine	12 / 60020780	9,631.38
Passed Through Public Broadcasting Service			
University of Memphis	PBS Teaching Climate Change Project	12 / NASAPBS	52,559.14
Passed Through The Geneva Foundation			
University of Tennessee	The Geneva Foundation S-1192-01 Speraw	12 / S-1192-01;HU0001-10	1,253.31
Passed Through Pennsylvania State University			
Tennessee State University	Robust Networking Architectures & Security Schemes for Heterogeneous Sensor Networks	12 / DTRA01-03-D-0010	23,757.37
Passed Through University of Michigan			
Tennessee State University	Nanosensors for Explosive Detection and Creation of the Naval Engineering Education Consortium (NEEC)	12 / N65540-10-C-0003	120,063.05
Passed Through Virginia Polytechnic Institute and State University			
University of Tennessee	Virginia Polytech-CR-19121-430344- Parker	12 / CR-19121-430344	30,249.81
Subtotal Pass-Through Programs			<u>\$ 858,273.97</u>
Subtotal Other Programs			<u>\$ 21,734,179.22</u>
Subtotal Department of Defense			<u>\$ 24,364,282.28</u>
Department of the Interior			
Bureau of Reclamation			
Direct Programs			
University of Tennessee	Colorado Ute Indian Water Rights Settlement Act	15.510	<u>\$ 49,886.23</u>
Subtotal Bureau of Reclamation			<u>\$ 49,886.23</u>

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Fish and Wildlife Service				
Direct Programs				
University of Memphis	Fish and Wildlife Management Assistance	15.608	\$	(15.48)
University of Tennessee	Challenge Cost Share	15.642		(0.01)
Tennessee Technological University	Research Grants (Generic)	15.650	\$	(91.65)
University of Tennessee	Research Grants (Generic)	15.650	71,424.06	71,332.41
University of Tennessee	Endangered Species - Candidate Conservation Action Funds	15.660		22,546.17
Subtotal Direct Programs			\$	93,863.09
Passed Through Cornell University				
University of Tennessee	Fish and Wildlife Management Assistance	15.608 / 573519054	\$	(4,072.85)
University of Tennessee	Fish and Wildlife Management Assistance	15.608 / 60287-6334	2,280.64	\$ (1,792.21)
Passed Through The Nature Conservancy				
Tennessee Technological University	Cooperative Endangered Species Conservation Fund	15.615 / TNFO-03/01/07-01	\$	50.79
Tennessee Technological University	Cooperative Endangered Species Conservation Fund	15.615 / TNFO-070109-3830-01	28,014.62	
Tennessee Technological University	Cooperative Endangered Species Conservation Fund	15.615 / TNFO-080110-3830-02	191,748.67	219,814.08
Passed Through Mississippi State University				
University of Tennessee	Challenge Cost Share	15.642 / 080300331289		16,047.39
Subtotal Pass-Through Programs			\$	234,069.26
Subtotal Fish and Wildlife Service			\$	327,932.35
National Park Service				
Direct Programs				
Tennessee Technological University	Outdoor Recreation_Acquisition, Development and Planning	15.916	\$	41,227.91
University of Tennessee	Outdoor Recreation_Acquisition, Development and Planning	15.916	49,897.68	\$ 91,125.59
East Tennessee State University	National Center for Preservation Technology and Training	15.923		250.00
East Tennessee State University	Save America's Treasures	15.929		4,852.21
University of Tennessee	Cooperative Research and Training Programs - Resources of the National Park System	15.945		135,288.11
Subtotal National Park Service			\$	231,515.91
Office of Surface Mining				
Direct Programs				

State of Tennessee
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For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Tennessee	Applied Science Program Cooperative Agreements Related to Coal Mining and Reclamation	15.255	\$ 74,960.46
Subtotal Office of Surface Mining			\$ 74,960.46

U.S. Geological Survey

Direct Programs

University of Tennessee	Assistance to State Water Resources Research Institutes	15.805	\$ 179,227.58
University of Memphis	Earthquake Hazards Reduction Program	15.807	\$ 877,305.81
University of Memphis	ARRA-Earthquake Hazards Reduction Program	15.807	204,848.64
University of Memphis	U.S. Geological Survey_Research and Data Collection	15.808	\$ 116,207.48
University of Tennessee	U.S. Geological Survey_Research and Data Collection	15.808	327,097.87
University of Memphis	National Cooperative Geologic Mapping Program	15.810	\$ 4,349.73
University of Tennessee	National Cooperative Geologic Mapping Program	15.810	14,948.79
Tennessee Technological University	Cooperative Research Units Program	15.812	156,847.92
Subtotal U.S. Geological Survey			\$ 1,880,833.82

Other Programs

Direct Programs

University of Tennessee	Fish, Wildlife, and Parks Programs on Indian Lands	15.039	\$ 14,265.74
Tennessee Technological University	Conservation Grants Private Stewardship for Imperiled Species	15.632	\$ 9,408.25
University of Tennessee	Conservation Grants Private Stewardship for Imperiled Species	15.632	24,720.01
Middle Tennessee State University	Ethnographic Oral History Interviews	15 / H5000095041	13,734.26
Middle Tennessee State University	Museum Collection Processing and Cataloging	15 / H5000095041	7,729.72
Tennessee Technological University	Elk River Adaptive Resource Management Project	15 / G11AC20038	7,169.21
Tennessee Technological University	Protocol Development for Long-Term Monitoring of Rare Fish at Big South Fork National River and Recreation Area and Obed Wild and Scenic River	15 / H5000050330 / J513060010	1,338.87
Tennessee Technological University	Enhanced Referrals for Military Families	15 / MOAVER1-05/12/06	412.26
University of Tennessee	USF&W 401817M388 Gold Warbler-Buehler	15 / 401817M388	15,241.60
University of Tennessee	USF&W 401819G527 King Rails-Gray	15 / 401819G527	3,805.91
University of Tennessee	USF&W Cnsrvtn Strategy Warbler-Buehler	15 / 501818M648	5,845.99
University of Tennessee	NPS-CESU TA J5471100003 DeCorse	15 / CESU TA J5471100003	(1,237.79)
University of Tennessee	USGS Louisiana Black Bear-Belli	15 / G10AC00275	31,164.35
University of Tennessee	NPS River Habitat Mapping #3-Ayers	15 / H5000055040 MOD 3	1,848.56

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Tennessee	NPS J2265100006 Freeman	15 / J2265100006 H5000095	116,148.82
University of Tennessee	NPS CESU J2340060005 Advisor-Schlarbaum	15 / J2340060005 CESU	1,382.45
University of Tennessee	NPS J5028070509 Landmark Evtions-Belli	15 / J5028070509	13,082.59
University of Tennessee	NPS J5130090018 Soil Materials-Ammons	15 / J5130090018	10,882.43
University of Tennessee	USDI-NPS J5160101650 Fordyce	15 / J5160101650	1,527.58
University of Tennessee	NIFC-NPS-Grissino-Mayer	15 / J5460 06 0108	16,432.38
University of Tennessee	NPS Fraser Fir Health in GSMNP-Franklin	15 / J5471100013	19,368.86
University of Tennessee	NPS J5471100059 Treatment Mgt Plan-Grant	15 / J5471100059	2,657.20
University of Tennessee	Natl Park Serv Great Smoky Mtn - DeCorse	15 / OCUNALUFTEE FARM FIE	118.36
University of Tennessee	NPS Collembola Survey GWMP-Bernard	15 / P3300090100	218.90
University of Tennessee	USDI OSM Order S09PX00415 Schwartz	15 / S09PX00415	9.34
University of Tennessee	USDI-OSM-S10PX00742 Schwartz	15 / S10PX00742	33,036.37
University of Tennessee	USDI-OSM S11PX00094 Schwartz	15 / S11PX00094	2,897.79
University of Tennessee	Natl Park Serv Great Smoky Mtn - DeCorse	15 / SITE 31 SW 393 SMOKE	(2,316.58)
University of Tennessee	NPS-CESU GSMNP H5000095041 DeCorse	15 / T.A. J5460090020	(550.27)
University of Tennessee	NPS-CESU Assessing Fuel-Grissino-Mayer	15 / T.A. J7191090004	1,962.91
University of Tennessee	NPS H5000095041 Nat'l Cemetery-Sorochan	15 / TASK #J5450100012	179.61
University of Tennessee	USDI/FWS TN M-5-C Biologist-McKenzie	15 / TN M-5-C	105,936.74
Subtotal Direct Programs			\$ 458,422.42
Passed Through Knoxville / Knox County			
University of Tennessee	Knox County MPC Seven Islands Sullivan	15 / SEVEN ISLANDS REFUGE	\$ 23,892.08
Passed Through Organization of American Historians			
Middle Tennessee State University	Women's Rights National Historical Park Administrative History	15 / H0400000014	(419.61)
Subtotal Pass-Through Programs			\$ 23,472.47
Subtotal Other Programs			\$ 481,894.89
Subtotal Department of the Interior			\$ 3,047,023.66
Department of Justice			
Other Programs			
Direct Programs			
University of Tennessee	Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	\$ 217,842.90
University of Tennessee	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	339,990.40

State of Tennessee
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Memphis	Edward Byrne Memorial State and Local Law Enforcement Assistance	16.580		1,779.60
University of Memphis	Discretionary Grants Program			
University of Memphis	Congressionally Recommended Awards	16.753		367,388.14
Subtotal Direct Programs			\$	927,001.04
Passed Through Chattanooga Endeavors, Incorporated				
University of Tennessee	Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202 / 2008-RE-CX-0011	\$	7,587.96
Passed Through Memphis City Schools				
University of Memphis	Juvenile Justice and Delinquency Prevention_Allocation to States	16.540 / SHAPE 11	\$	12,608.42
University of Memphis	Juvenile Justice and Delinquency Prevention_Allocation to States	16.540 / TN COMM ON CHILD & YOUTH	(3.71)	12,604.71
Passed Through Shelby County District Attorney General's Office				
University of Memphis	Juvenile Justice and Delinquency Prevention_Allocation to States	16.540 / S001978		2,526.92
Passed Through City of Memphis Police Department				
University of Memphis	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580 / 27866.00		77,252.70
Passed Through Crime and Justice Institute				
University of Memphis	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580 / CRJ102110		(216.06)
Passed Through Shelby County Office of Early Childhood and Youth				
University of Memphis	Reduction and Prevention of Children's Exposure to Violence	16.730 / CA1113041		25,620.68
Passed Through Research Triangle Institute				
University of Tennessee	ARRA-Recovery Act-VOCA Crime Victim Assistance Discretionary Grant Program	16.807 / 2009-SZ-B9-K002		38,733.92
Subtotal Pass-Through Programs			\$	164,110.83
Subtotal Other Programs			\$	1,091,111.87
Subtotal Department of Justice			\$	1,091,111.87
Department of Labor				
Other Programs				
Direct Programs				
University of Tennessee	Wage and Hour Standards	17.303	\$	1,638,922.34
University of Tennessee	ARRA-Wage and Hour Standards	17.303	285,315.72	\$ 1,924,238.06

State of Tennessee
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Tennessee	US DOL-DOLJ089F26523-Li	17 / J089F26523	241,705.61
Subtotal Direct Programs			\$ 2,165,943.67
Passed Through Virginia Polytechnic Institute and State University			
University of Tennessee	VA TECH Production Sys Africa-Eash	17 / 425966-19121	\$ 184,421.84
Subtotal Pass-Through Programs			\$ 184,421.84
Subtotal Other Programs			\$ 2,350,365.51
Subtotal Department of Labor			\$ 2,350,365.51
Department of State			
Other Programs			
Passed Through University of Delaware			
University of Memphis	The National Fund of the Republic of Kazakhstan	19 / 22336	\$ 3,914.77
Subtotal Other Programs			\$ 3,914.77
Subtotal Department of State			\$ 3,914.77
Department of Transportation			
Federal Highway Administration			
Direct Programs			
University of Tennessee	Highway Research and Development Program	20.200	\$ 33,687.40
Subtotal Direct Programs			\$ 33,687.40
Passed Through Knox County Schools			
University of Tennessee	Highway Research and Development Program	20.200 / DTFH61-08-G-00020	\$ 78,223.90
Passed Through The National Academies			
University of Memphis	Highway Research and Development Program	20.200 / HR24-11(02)	125,481.32
Subtotal Pass-Through Programs			\$ 203,705.22
Subtotal Federal Highway Administration			\$ 237,392.62
Federal Transit Administration			
Direct Programs			
University of Tennessee	Public Transportation Research	20.514	\$ 587,858.16
Subtotal Federal Transit Administration			\$ 587,858.16

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Pipeline and Hazardous Materials Safety Administration				
Direct Programs				
University of Tennessee	Pipeline Safety Program Base Grants	20.700	\$	104,706.14
Subtotal Pipeline and Hazardous Materials Safety Administration			\$	104,706.14
Research and Innovative Technology Administration				
Direct Programs				
University of Memphis	University Transportation Centers Program	20.701	\$	239,824.29
University of Tennessee	University Transportation Centers Program	20.701	1,265,170.01	\$ 1,504,994.30
Subtotal Research and Innovative Technology Administration			\$	1,504,994.30
Other Programs				
Direct Programs				
University of Tennessee	FTA TN-26-7029 Vakili	20 / TN-26-7029	\$	157,623.12
University of Tennessee	US DOT Regional DTOS5907G00050 CRC-Rials	20 / DTOS5907G00050		1,302,147.69
University of Tennessee	USDOT FHA DTFH64-10-G-0042 Cherry	20 / DTFH64-10-G-0042		5,000.00
Subtotal Direct Programs			\$	1,464,770.81
Passed Through Battelle Memorial Institute				
University of Tennessee	Battelle Memorial-TO 600183-3 - Clarke	20 / TASK ORDER 600183-3	\$	8,425.76
Passed Through Georgia Department of Transportation				
University of Tennessee	Georgia Dept of Transpor-SRS-08-06-Huang	20 / SRS-08-06		(994.34)
Passed Through National Transportation Research Center, Incorporated				
University of Tennessee	NTRCI-DTRT-06-G-0043-01-U09-06-01-T15-Han	20 / DTRT-06-G-0043-1-T15		(638.84)
University of Tennessee	NTRCI-DTRT-06-G-0043-03-U26-06-Simunovic	20 / DTRT-06-G-0043-3-T19		78,443.38
University of Tennessee	NTRCI-DTRT-06-G-0043-04-U27-06-021-Han	20 / DTRT-06-G-0043-04-21		81,303.83
University of Tennessee	NTRCI-DTRT-06-G-0043-04-U30-06-22 Clarke	20 / DTRT-06-G-0043-04-U3		44,323.26
University of Tennessee	NTRCI-Task -Order No. 016 Cherry	20 / TASK ORDER NO. 016		168,437.12
University of Tennessee	NTRCI-Task -Order No. 018 - Urbanik	20 / TASK ORDER NO. 018		58,495.06
Passed Through University of Minnesota				
University of Tennessee	Univ Minnesota - Cast-in Place - Ma	20 / L5206622101 AMEND 2		1,241.66
Subtotal Pass-Through Programs			\$	439,036.89
Subtotal Other Programs			\$	1,903,807.70

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Subtotal Department of Transportation			\$ 4,338,758.92
Department of the Treasury			
Other Programs			
Direct Programs			
University of Tennessee	IRS-BPA-TIRNO09-Z-00019-TO-0001-Vossler	21 / TIRNO09-Z-00019-TO-1	\$ 149,007.32
Subtotal Other Programs			\$ 149,007.32
Subtotal Department of the Treasury			\$ 149,007.32
Appalachian Regional Commission			
Direct Programs			
East Tennessee State University	Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	\$ 214,221.83
University of Tennessee	ARC CO-16505-09 Ezzell	UNKNO / CO-16505-09	80,442.82
Subtotal Appalachian Regional Commission			\$ 294,664.65
National Aeronautics and Space Administration			
Direct Programs			
East Tennessee State University	Science	43.001	\$ 92,538.58
Tennessee Technological University	Science	43.001	82,456.37
University of Memphis	Science	43.001	43,525.68
University of Tennessee	Science	43.001	14,706.59
Tennessee State University	Aeronautics	43.002	1,771.58
University of Tennessee	Space Operations	43.007	212,617.99
Austin Peay State University	Solar Energy LASER Physics	43 / NNX10AJ04G	222,889.41
Middle Tennessee State University	Cost Modeling for Telescopes	43 / NNX09AG08G	16,881.66
Middle Tennessee State University	MTSU Center for Research on Aviation Training	43 / NNX09AU52G	268,246.68
Middle Tennessee State University	Aviation Safety and Human Factors Research Using Emerging Technologies	43 / NNX10AII1G	72,748.08
Tennessee State University	Minority Institute Sabbatical Program	43 / NNA05CS99G	121,171.40
University of Tennessee	JPL Moersch	43 / 1242851	10,579.87
University of Tennessee	NASA NNM08AA13A - Taylor	43 / NNM08AA13A	39,126.44
University of Tennessee	NASA-Marshall NNM09AB71P Corda	43 / NNM09AB71P	35,844.58
University of Tennessee	NASA Glenn NNX07AD58A -	43 / NNX07AD58A	29,573.51
University of Tennessee	NASA NNX06AB33G - Symes	43 / NNX06AB33G	2,614.57
University of Tennessee	NASA NNX07AC14G - Townsend	43 / NNX07AC14G SUPP # 5	98,707.71
University of Tennessee	NASA NNX08AG54G - Taylor	43 / NNX08AG54G	100,806.11
University of Tennessee	NASA NNX08AU47G - Burr	43 / NNX08AU47G-00003	37,506.84
University of Tennessee	NASA NNX08AV93G - Emery	43 / NNX08AV93G-000002	75,403.09
University of Tennessee	NASA NNX08BA24G - Burr	43 / NNX08BA24G-000004	96,805.74
University of Tennessee	NASA NNX08BA78G - Emery	43 / NNX08BA78G	(2,486.97)
University of Tennessee	NASA NNX08BA81G - Burr	43 / NNX08BA81G	78,982.48
University of Tennessee	NASA NNX09AE08G - Emery	43 / NNX09AE08G	78,204.87
University of Tennessee	NASA NNX09AG75G - Fu	43 / NNX09AG75G-000001	23,758.35
University of Tennessee	NASA NNX09AH14G - Taylor	43 / NNX09AH14G	99,178.72
University of Tennessee	NASA NNX09AM86G - Fedo	43 / NNX09AM86G-000002	13,725.91

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	NASA NNX09AQ51G - Burr	43 / NNX09AQ51G		90,296.07
University of Tennessee	NASA NNX10AB23G - Emery	43 / NNX10AB23G		76,711.40
University of Tennessee	NASA NNX10AH48G - McSween	43 / NNX10AH48G		133,095.98
University of Tennessee	NASA NNX10AT66G - Hayes	43 / NNX10AT66G		30,301.21
University of Tennessee	JPL-NASA-RSA # 1367691-22.9% - Emery	43 / RSA # 1367691		24,654.62
University of Tennessee	NASA-RSA # 1378475 - Emery	43 / RSA # 1378475-02		42,201.67
University of Tennessee	JPL-IRS Spectra of Basaltic Astero-Emery	43 / RSA NO. 1353476		22,608.06
University of Tennessee	JPL-NASA-RSA#1416716 Emery Proposal 1	43 / RSA# 1416716		19,817.05
Subtotal Direct Programs			\$	2,407,571.90
Passed Through Arizona State University				
University of Tennessee	Science	43.001 / 01-082 MOD # 21	\$	75,221.99
University of Tennessee	Arizona State Univ-Spectral Map-Moersch	43 / 10-254 MOD 1		47,296.62
Passed Through California Institute of Technology Jet Propulsion Laboratory				
East Tennessee State University	Science	43.001 / 1353814	\$	23,278.77
East Tennessee State University	Science	43.001 / 1379558		37,168.77
Passed Through Smithsonian Astrophysical Observatory				
East Tennessee State University	Science	43.001 / AR9-0010A		12,780.13
University of Memphis	Solar-B X-ray Telescope Phase-E Mission Operations and Data Analysis Program	43 / SV7-77005 AMEND 10		34,216.15
Passed Through University of Virginia				
University of Tennessee	Science	43.001 / GP10152-133756		39,459.61
Passed Through Vanderbilt University				
East Tennessee State University	Science	43.001 / 18184-S2		2,538.49
Middle Tennessee State University	Tennessee Space Grant College and Fellowship Program	43 / 18184-S4		7,270.50
Middle Tennessee State University	Tennessee Space Grant College and Fellowship Program	43 / 21603-S6		45,328.02
Tennessee State University	Tennessee NASA Experimental Program to Stimulate Competitive Research (EPSCOR) Infrastructure Development	43 / NNX09AW06A		21,297.06
Tennessee Technological University	Tennessee Space Grant Consortium Award (Tennessee Space Grant College and Fellowship Program)	43 / 18184-S7 AMENDMENT NO. 8		9,473.33
Tennessee Technological University	Tennessee Space Grant Consortium Award (Tennessee Space Grant College and Fellowship Program)	43 / SUBCONTRACT #21603-S8		32,748.75
University of Memphis	Simulation and Prediction of Magnetic Positive Positioning of LOX in Reduced Gravity	43 / 18184 S8 AMEND 08		5,800.00
University of Memphis	Development and Automated Drinking Water Disinfection System	43 / 20343-S1		98,129.03
University of Memphis	Magnetic Positive Position	43 / 21603-S9		13,395.57
University of Memphis	Development, Characterization and Validation of an Aerogel/RTV Based Cryogenic Propellant Tank	43 / 21631 S1		37,340.33
University of Tennessee	Vanderbilt - 18184-S10 - Taylor	43 / 18184-S10		42,640.85

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Tennessee	Vanderbilt University 21603-S11 Taylor	43 / 21603-S11	66,126.23
University of Tennessee	Vanderbilt Univ 21630-S1 Frankel 11	43 / 21630-S1	137,919.47
University of Tennessee	Vanderbilt Univ Sub#18184-S11 Flandro	43 / SUB.#18184-S11	(2,315.13)
University of Tennessee	Vanderbilt Univ Sub#21603-SB12 Moeller	43 / SUB.#21603-S12	52,889.08
Passed Through Cornell University			
University of Tennessee	Aeronautics	43.002 / OSP39361-6446	16,568.57
Passed Through Regents of the University of California			
University of Tennessee	Aeronautics	43.002 / 2090-S-JB694 AMEND17	35,167.78
Passed Through Boston University			
University of Tennessee	Boston Univ - Lunar Orbiter- Townsend-09	43 / GC 189769 NGA- MOD#13	158,106.56
Passed Through Brown University			
University of Tennessee	Brown Univ - PO #988930 - Taylor	43 / PO#988930-11	134,184.22
University of Tennessee	Brown Univ - PO #P258656 - Taylor	43 / PO258656/SUB00000242	24,804.44
Passed Through Georgia Institute of Technology			
University of Tennessee	GA Tech - R7183-S6 - Blalock	43 / R7183-S6	(11,333.21)
Passed Through National Space Biomedical Research Institute			
University of Tennessee	Natl Space Biomed Research Ins- Heilbronn	43 / NCC 9-58-152	20,646.97
Passed Through San Francisco State University			
Tennessee State University	Search for Short Period Neptunes	43 / NNX08AF42G	(30.00)
Passed Through Search for Extraterrestrial Intelligence Institute			
University of Tennessee	SETI Institute-Thermal Behavior- Moersch	43 / NNX09AE80A-09-001	77,618.93
Passed Through University of Connecticut			
Tennessee Technological University	Defining Optimality Criteria for the Effective Use of Satellite Precipitation Datasets in Land Surface Hydrology	43 / PSA No. 5805 Amend 1	23,953.78
Passed Through University of New Hampshire			
University of Tennessee	Univ of New Hampshire 11-107 Townsend	43 / 11-107	13,901.68
Subtotal Pass-Through Programs			\$ 1,310,314.57
Subtotal National Aeronautics and Space Administration			\$ 3,717,886.47

National Endowment for the Arts

Direct Programs

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Memphis	Promotion of the Arts_Grants to Organizations and Individuals	45.024	\$ 38,536.01
Subtotal National Endowment for the Arts			\$ 38,536.01

National Endowment for the Humanities

Direct Programs

Tennessee Technological University	Promotion of the Humanities_Fellowships and Stipends	45.160	\$ 1,411.77	
University of Tennessee	Promotion of the Humanities_Fellowships and Stipends	45.160	2,000.04	\$ 3,411.81
East Tennessee State University	Promotion of the Humanities_Research	45.161	\$ 97,491.86	
University of Memphis	Promotion of the Humanities_Research	45.161	53,314.19	
University of Tennessee	Promotion of the Humanities_Research	45.161	118,295.14	269,101.19
University of Tennessee	Promotion of the Humanities_Professional Development	45.163		19,835.05
Subtotal National Endowment for the Humanities			\$ 292,348.05	

Institute of Museum and Library Services

Direct Programs

University of Tennessee	National Leadership Grants	45.312		\$ 225,819.38
University of Tennessee	Laura Bush 21st Century Librarian Program	45.313		64,387.58
Subtotal Direct Programs			\$ 290,206.96	

Passed Through University of Illinois

University of Tennessee	Laura Bush 21st Century Librarian Program	45.313 / 2010-03028-02	\$ 3,224.34	
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Passed Through University of Maryland

University of Tennessee	Laura Bush 21st Century Librarian Program	45.313 / RES03S05-00200-05	1,657.44	
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Subtotal Pass-Through Programs

\$ 4,881.78

Subtotal Institute of Museum and Library Services

\$ 295,088.74

National Science Foundation

Direct Programs

East Tennessee State University	Engineering Grants	47.041	\$ 63,175.75	
Middle Tennessee State University	Engineering Grants	47.041	152,244.32	
Tennessee Technological University	Engineering Grants	47.041	282,039.28	
University of Memphis	Engineering Grants	47.041	89,620.41	
University of Tennessee	Engineering Grants	47.041	2,503,729.24	\$ 3,090,809.00
East Tennessee State University	Mathematical and Physical Sciences	47.049	\$ 251,387.49	
Tennessee State University	Mathematical and Physical Sciences	47.049	123,153.36	

State of Tennessee
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For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Tennessee Technological University	Mathematical and Physical Sciences	47.049	10,702.57	
University of Memphis	Mathematical and Physical Sciences	47.049	596,851.71	
University of Tennessee	Mathematical and Physical Sciences	47.049	2,983,916.09	3,966,011.22
East Tennessee State University	Geosciences	47.050	\$ 140,240.70	
University of Memphis	Geosciences	47.050	479,233.72	
University of Tennessee	Geosciences	47.050	589,367.13	1,208,841.55
Austin Peay State University	Computer and Information Science and Engineering	47.070	\$ 19,014.00	
Middle Tennessee State University	Computer and Information Science and Engineering	47.070	31,156.81	
Tennessee Technological University	Computer and Information Science and Engineering	47.070	11,548.66	
University of Memphis	Computer and Information Science and Engineering	47.070	571,493.08	
University of Tennessee	Computer and Information Science and Engineering	47.070	1,170,997.00	1,804,209.55
East Tennessee State University	Biological Sciences	47.074	\$ 31,003.54	
Middle Tennessee State University	Biological Sciences	47.074	146,069.57	
Tennessee State University	Biological Sciences	47.074	123,802.86	
University of Memphis	Biological Sciences	47.074	302,579.34	
University of Memphis	ARRA-Biological Sciences	47.074	111,412.14	
University of Tennessee	Biological Sciences	47.074	5,054,534.64	5,769,402.09
Austin Peay State University	Social, Behavioral, and Economic Sciences	47.075	\$ 4,196.68	
Middle Tennessee State University	Social, Behavioral, and Economic Sciences	47.075	26,478.71	
University of Memphis	Social, Behavioral, and Economic Sciences	47.075	319,104.41	
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075	565,179.90	914,959.70
East Tennessee State University	Education and Human Resources	47.076	\$ 726,041.92	
Middle Tennessee State University	Education and Human Resources	47.076	123,563.30	
Tennessee State University	Education and Human Resources	47.076	773,424.90	
Tennessee Technological University	Education and Human Resources	47.076	917,119.56	
University of Memphis	Education and Human Resources	47.076	604,500.20	
University of Tennessee	Education and Human Resources	47.076	1,051,387.20	4,196,037.08
University of Memphis	Polar Programs	47.078		29,153.78
University of Tennessee	International Science and Engineering (OISE)	47.079		53,250.91
University of Tennessee	Office of Cyberinfrastructure	47.080		4,757,068.46
Middle Tennessee State University	Office of Experimental Program to Stimulate Competitive Research	47.081	\$ 3,504.49	
University of Tennessee	Office of Experimental Program to Stimulate Competitive Research	47.081	1,230,258.02	1,233,762.51
East Tennessee State University	ARRA-Trans-NSF Recovery Act Research Support	47.082	\$ 87,484.41	
Middle Tennessee State University	ARRA-Trans-NSF Recovery Act Research Support	47.082	317,600.32	
Tennessee State University	ARRA-Trans-NSF Recovery Act Research Support	47.082	442,089.26	
Tennessee Technological University	ARRA-Trans-NSF Recovery Act Research Support	47.082	32,427.79	
University of Memphis	ARRA-Trans-NSF Recovery Act Research Support	47.082	413,404.18	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	ARRA-Trans-NSF Recovery Act Research Support	47.082	7,243,587.00	8,536,592.96
University of Tennessee	NSF ERC for Ultra-Wide Tomsovic	47 / ERC FOR ULTRA-WIDE		11,916.95
University of Tennessee	NSF 0711134 Project Management-Zacharia	47 / OCI-0711134		7,792,278.59
Subtotal Direct Programs			\$	43,364,294.35
Passed Through Northwestern University				
University of Tennessee	Engineering Grants	47.041 / PROJ0000147-02	\$	2,219.97
Passed Through Rice University				
University of Tennessee	Engineering Grants	47.041 / R3B595		47,026.11
Passed Through Texas Agricultural and Mechanical University				
Tennessee Technological University	Engineering Grants	47.041 / 11-0113		36,126.45
Passed Through University of Georgia				
Middle Tennessee State University	Engineering Grants	47.041 / RC283-375/4786866		6,591.31
Passed Through University of Illinois Urbana-Champaign				
University of Memphis	Engineering Grants	47.041 / 2003 01053 03 AMEND		(24,298.25)
Passed Through University of South Florida				
University of Tennessee	Engineering Grants	47.041 / 2106-1136-00-A		15,820.49
Passed Through California Institute of Technology				
University of Tennessee	Mathematical and Physical Sciences	47.049 / 7E-1082277-14		198,605.21
Passed Through Murray State University				
University of Tennessee	Mathematical and Physical Sciences	47.049 / MOA NO. OSP 2009-067		7,937.66
Passed Through University of Texas				
University of Tennessee	Mathematical and Physical Sciences	47.049 / UTA09-000853		139,272.31
Passed Through Vanderbilt University				
Tennessee State University	Mathematical and Physical Sciences	47.049 / DMR-0907619	\$	10,422.09
University of Tennessee	Mathematical and Physical Sciences	47.049 / 20726-S1		73,682.16
University of Tennessee	Vanderbilt Univ Sub 18890-S1 L Davis	47 / 18890-S1		9,696.54
Passed Through Incorporated Research Institutions for Seismology				
University of Memphis	Geosciences	47.050 / 80-7		18,528.85
Passed Through Pennsylvania State University				
University of Tennessee	Geosciences	47.050 / 3687-UT-NSF-5019		6,610.29
University of Tennessee	Biological Sciences	47.074 / 4373-UT-NSF-5974		14,345.96

State of Tennessee
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For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through University of Chicago			
University of Tennessee	Computer and Information Science and Engineering	47.070 / SUBAWARD # 30085-S-2	607,729.26
University of Tennessee	Office of Cyberinfrastructure	47.080 / 41994-E	7,555.49
Passed Through University of Minnesota			
University of Tennessee	Computer and Information Science and Engineering	47.070 / A001629601	36,145.62
Middle Tennessee State University	ARRA-Trans-NSF Recovery Act Research Support	47.082 / A001887402	57,642.44
Passed Through University of New Mexico			
University of Tennessee	Computer and Information Science and Engineering	47.070 / 063014-87H2	657,278.96
Passed Through University of North Carolina			
University of Tennessee	Computer and Information Science and Engineering	47.070 / 2975-07-0580-UTK-A03	19,380.03
Passed Through Auburn University			
Middle Tennessee State University	Biological Sciences	47.074 / 10-FAA-360030-MTSU	26,905.88
Passed Through Carnegie Museum of Natural History			
University of Tennessee	Biological Sciences	47.074 / SUBGRANT #1	4,888.98
Passed Through Purdue University			
University of Tennessee	Biological Sciences	47.074 / 4101-35203-01	10,961.41
University of Tennessee	Education and Human Resources	47.076 / 4101-25419	46,847.75
University of Tennessee	ARRA-Trans-NSF Recovery Act Research Support	47.082 / 4101-31975 AMEND # 1	12,545.16
Passed Through University of Arizona			
University of Tennessee	Biological Sciences	47.074 / PO Y553515 MOD # 3	129,623.12
Passed Through University of California			
University of Tennessee	Biological Sciences	47.074 / S-0000336	203,257.20
Passed Through University of Massachusetts			
University of Memphis	Biological Sciences	47.074 / 07-004407 B 00	17,868.03
Passed Through University of South Carolina			
University of Tennessee	Biological Sciences	47.074 / SUB11-1890; PO#31834	8,280.75
Passed Through University of California at Irvine			
University of Tennessee	Social, Behavioral, and Economic Sciences	47.075 / 2010-2420	39,865.27
Passed Through Alignment Nashville			
Tennessee Technological University	Education and Human Resources	47.076 / DRL-0833643 AMEND 2	76,915.15

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through CalPoly Corporation				
Middle Tennessee State University	Education and Human Resources	47.076 / 10-020-51621		4,482.74
Passed Through North Carolina Central University				
University of Memphis	Education and Human Resources	47.076 / P0033789		16,422.56
Passed Through Stark State College of Technology				
University of Tennessee	Education and Human Resources	47.076 / NSFEC-0802536-11-10		1,003.14
Passed Through University of Kansas				
Tennessee State University	Education and Human Resources	47.076 / HRD-0624720		(200.00)
Passed Through University of Wisconsin				
University of Memphis	Education and Human Resources	47.076 / DRL-0918409		149,232.57
Passed Through Columbia University				
University of Tennessee	International Science and Engineering (OISE)	47.079 / 1(ACCT#5-60276)		1,222.69
Passed Through Georgia Institute of Technology				
University of Tennessee	Office of Cyberinfrastructure	47.080 / RA241-G1		300,123.85
Passed Through Rowan University				
Tennessee State University	Office of Cyberinfrastructure	47.080 / OCI-1041306		11,410.00
Passed Through University of Illinois				
University of Tennessee	Office of Cyberinfrastructure	47.080 / 2009-06519-05-00	\$	114,079.85
University of Tennessee	Office of Cyberinfrastructure	47.080 / SUB2009-02232-02		83,860.90
University of Tennessee	Univ of Illinois XSEDE Kovatch	47 / XSEDE		966.14
Passed Through University of Oregon				
University of Tennessee	Office of Cyberinfrastructure	47.080 / 207401C-05		108,959.77
Passed Through Clemson University				
University of Tennessee	ARRA-Trans-NSF Recovery Act Research Support	47.082 / 13292062087448 ARRA		50,904.49
Passed Through Washington University				
University of Tennessee	ARRA-Trans-NSF Recovery Act Research Support	47.082 / WU-HT-10-51-AMEND #1		64,707.10
Passed Through Indiana University				
University of Tennessee	Indiana Univ FutureGrid Dongarra	47 / FUTUREGRID		16,351.46
Passed Through Johns Hopkins University				
University of Tennessee	Johns Hopkins APL 946966 Murray	47 / 946966		8,137.47

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Smithsonian Institution			
University of Memphis	Best Practices and Inventory Development for Smithsonian Steam Education 2011	47 / 11-PO-620-0000225545	2,688.22
Subtotal Pass-Through Programs			\$ 3,460,630.60
Subtotal National Science Foundation			\$ 46,824,924.95
Securities and Exchange Commission			
Direct Programs			
University of Memphis	IPA-Visit SEC	58 / M10-0636	\$ 220,578.66
Subtotal Securities and Exchange Commission			\$ 220,578.66
Small Business Administration			
Direct Programs			
University of Memphis	8(a) Business Development Program	59.006	\$ 12,899.12
University of Tennessee	SBA HQ-06-I-0026 07-09 Whitfield	59 / SBAHQ-06-I-0026	(820.57)
Subtotal Small Business Administration			\$ 12,078.55
Environmental Protection Agency			
Office of Air and Radiation			
Direct Programs			
University of Tennessee	Air Pollution Control Program Support	66.001	\$ 246,716.60
Subtotal Office of Air and Radiation			\$ 246,716.60
Office of Chemical Safety and Pollution Prevention			
Direct Programs			
University of Tennessee	Source Reduction Assistance	66.717	\$ 70,208.87
Subtotal Office of Chemical Safety and Pollution Prevention			\$ 70,208.87
Office of Research and Development			
Direct Programs			
University of Tennessee	Science To Achieve Results (STAR) Research Program	66.509	\$ 39,569.11
University of Memphis	Greater Research Opportunities (GRO) Fellowships for Undergraduate Environmental Study	66.513	14,571.04
University of Tennessee	P3 Award: National Student Design Competition for Sustainability	66.516	82,764.97
Subtotal Direct Programs			\$ 136,905.12

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Harvard University			
University of Tennessee	Science To Achieve Results (STAR) Research Program	66.509 / SUB # 123392 AMEND#3	\$ 54,316.52
Subtotal Pass-Through Programs			\$ 54,316.52
Subtotal Office of Research and Development			\$ 191,221.64
Office of the Chief Financial Officer			
Direct Programs			
Middle Tennessee State University	Congressionally Mandated Projects	66.202	\$ 6,273.87
University of Memphis	Congressionally Mandated Projects	66.202	15,204.09
Subtotal Direct Programs			\$ 21,477.96
Passed Through Consortium for Plant Biotechnology Research			
University of Tennessee	Congressionally Mandated Projects	66.202 / EPA83438801-303	\$ 37,052.71
Passed Through University of New Hampshire			
University of Tennessee	Congressionally Mandated Projects	66.202 / AGREEMENT #10-049	22,683.21
Subtotal Pass-Through Programs			\$ 59,735.92
Subtotal Office of the Chief Financial Officer			\$ 81,213.88
Office of Water			
Direct Programs			
Middle Tennessee State University	Regional Wetland Program Development Grants	66.461	\$ 29,782.07
Subtotal Direct Programs			\$ 29,782.07
Passed Through Blount County Soil Conservation District			
University of Tennessee	Targeted Watersheds Grants	66.439 / Field Monitoring	\$ (496.47)
Subtotal Pass-Through Programs			\$ (496.47)
Subtotal Office of Water			\$ 29,285.60
Other Programs			
Direct Programs			
University of Tennessee	EPA-Nat'l Resource Policy Ctr- Schwartz	66 / EM-83298901-1	\$ 117,999.04
University of Tennessee	EPA RD832849010 Lblng/Crwdng Out-Clark	66 / RD832849010	3,361.31
Subtotal Direct Programs			\$ 121,360.35
Passed Through Arizona State University			
University of Tennessee	Arizona State Univ-09-145 - Evans	66 / 09-145 Amendment #3	\$ 37,082.18

State of Tennessee
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For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Subtotal Pass-Through Programs			\$ 37,082.18
Subtotal Other Programs			\$ 158,442.53
Subtotal Environmental Protection Agency			\$ 777,089.12

Department of Energy

Direct Programs

Middle Tennessee State University	Office of Science Financial Assistance Program	81.049	\$ 124,790.12	
Tennessee Technological University	Office of Science Financial Assistance Program	81.049	80,446.30	
University of Memphis	Office of Science Financial Assistance Program	81.049	113,153.48	
University of Tennessee	Office of Science Financial Assistance Program	81.049	5,264,891.13	
University of Tennessee	ARRA-Office of Science Financial Assistance Program	81.049	40,753.40	\$ 5,624,034.43
University of Tennessee	University Coal Research	81.057		254,627.17
Tennessee Technological University	Conservation Research and Development	81.086	\$ 10,272.66	
University of Tennessee	Conservation Research and Development	81.086	121,703.71	131,976.37
Education	ARRA-Renewable Energy Research and Development	81.087	\$ 131,421.95	
Tennessee Technological University	ARRA-Renewable Energy Research and Development	81.087	1,878.68	133,300.63
Tennessee State University	Fossil Energy Research and Development	81.089	\$ 86,619.68	
University of Tennessee	Fossil Energy Research and Development	81.089	(12,417.10)	74,202.58
University of Tennessee	Stewardship Science Grant Program	81.112		38,270.53
University of Tennessee	Defense Nuclear Nonproliferation Research	81.113		415,693.86
Tennessee Technological University	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	\$ 84,110.10	
Tennessee Technological University	ARRA-Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	78,719.68	
University of Tennessee	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	83,442.83	246,272.61
University of Tennessee	Nuclear Energy Research, Development and Demonstration	81.121		696,050.66
Tennessee State University	National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	\$ 4,050.20	
Tennessee Technological University	National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	114.70	4,164.90
University of Tennessee	DOE Energy Crop Operating CRC-Jackson	81 / DE-EE0002993		725,120.43
University of Tennessee	DOE-Spectroscopic Investig - Musfeldt	81 / DE-FG02-01ER45885-12		120,713.73

State of Tennessee
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Tennessee	DOE DE-FG02-03ER25584 Dongarra - 47%	81 / DE-FG02-03ER25584-05	(983.67)
University of Tennessee	DOE DE-FG02-06ER46338 Nieh	81 / DE-FG02-06ER46338-03	42,577.03
University of Tennessee	DOE-Minimize System Noise Effects-Dongarra	81 / DE-FG02-08ER25845	140,530.30
University of Tennessee	DOE Foxtail Millet Biomass Prod CRC-Chen	81 / DE-FG02-08ER64667	87,763.39
University of Tennessee	DOE-DE-FG02-08ER64678 - Melcher	81 / DE-FG02-08ER64678	25,617.51
University of Tennessee	DOE-DE-FG05-08OR23333-Dongarra	81 / DE-FG05-08OR2333	68,211.56
University of Tennessee	DOE DE-FG05-91ER40627 Task T Siopsis	81 / DE-FG05-91ER40627-34	761,997.51
University of Tennessee	NREL ZCO-0-40616-01 Zawodzinski 11	81 / ZCO-0-40616-01	44,355.14
Subtotal Direct Programs			\$ 9,634,496.67
Passed Through Louisiana State University			
University of Tennessee	Office of Science Financial Assistance Program	81.049 / 44159-1	\$ 48,012.64
Passed Through Pennsylvania State University			
University of Tennessee	Office of Science Financial Assistance Program	81.049 / 4230-UT-DOE-5267	85,098.17
University of Tennessee	Renewable Energy Research and Development	81.087 / TRANSPORT STUDIES	11,229.69
Passed Through Princeton University			
University of Tennessee	Office of Science Financial Assistance Program	81.049 / SUBAWARD # 00001871	68,929.82
Passed Through Purdue University			
University of Tennessee	ARRA-Office of Science Financial Assistance Program	81.049 / 4105-29625	206,137.90
Passed Through University of Massachusetts			
University of Tennessee	Office of Science Financial Assistance Program	81.049 / DOE-03001804D-00	16,208.02
Passed Through South Dakota State University			
University of Tennessee	Regional Biomass Energy Programs	81.079 / 3TA157	63,917.75
Passed Through Northeastern University			
University of Tennessee	Renewable Energy Research and Development	81.087 / 50301678052	128,555.21
Passed Through University of Georgia			
Middle Tennessee State University	Renewable Energy Research and Development	81.087 / RR722-077/4785266	20,131.16
Passed Through Wichita State University			
University of Tennessee	Renewable Energy Research and Development	81.087 / SUB110169	18,968.90

State of Tennessee
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For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Rutgers, The State University of New Jersey			
University of Tennessee	Stewardship Science Grant Program	81.112 / SUB#3538 PO#S1135633	263,161.36
Passed Through Southern Methodist University			
University of Tennessee	Defense Nuclear Nonproliferation Research	81.113 / SUBCONTRACT#20499-06	49,945.45
Passed Through University of Idaho			
University of Tennessee	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117 / PO # 0024282	117,318.60
Passed Through UT-Battelle, Limited Liability Company			
Tennessee Technological University	ARRA-State Energy Program Special Projects	81.119 / 4000087522	19,197.42
Middle Tennessee State University	Aerobic Decomposition-Research	81 / 4000086311	49,314.48
Middle Tennessee State University	Bio-Sensor Detection Research	81 / 4000071940	70,753.02
Middle Tennessee State University	Fly Ash Analysis	81 / 4000104962	22,056.04
Tennessee Technological University	Alumina Forming Coatings for Power Generation Applications	81 / 4000071336 MOD #4	48,178.50
Tennessee Technological University	Environmental Remediation of Radioactive Waste and Chemical Process of Spent Nuclear Fuel	81 / 4000101346	24,137.27
Tennessee Technological University	Fabrication of Coatings via Pack-Aluminizing Process on Large Specimens	81 / 4000093728 Mod No. 1	15,000.00
Tennessee Technological University	Molecular Photoredox Chemistry of Mercury in Aquatic Systems: Kinetics, Mechanism and Environmental Implication	81 / 4000069118 MODIFICATION NO. 5	18,021.25
Tennessee Technological University	Optimization of High Voltage Lines - Power System Application Development Using FNET Data	81 / 4000051155 MOD 3	6,994.90
Tennessee Technological University	UTB Smart Grid Research Phase II	81 / 4000085540 MOD 2	195,342.68
Tennessee Technological University	UTB Stonecipher Professor of Distinction Joint Faculty Agreement with ORNL	81 / 4000102091 MOD 1	73,242.08
University of Memphis	Large Scale Data Transfer in Wide Area Dedicated Networks	81 / 4000090164	26,210.18
University of Tennessee	UT-Battelle	81 / B0199BTL	23,012,863.72
University of Tennessee	ARRA-UT-Battelle	81 / B0199BTL	304,208.50
Passed Through West Virginia University			
Tennessee Technological University	ARRA-State Energy Program Special Projects	81.119 / 09-232-TTU	17,626.76
Passed Through Washington State University			
Tennessee Technological University	Nuclear Energy Research, Development and Demonstration	81.121 / 108880_G002296 AMEND NO 001	14,839.72
Passed Through Electric Power Research Institute			

State of Tennessee
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Tennessee	Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122 / EP-P36560/C16585	35,290.86
Passed Through Alliance for Sustainable Energy, Limited Liability Company			
University of Tennessee	Alliance for Sustainable Energy - Boulet	81 / NEE-9-99407-01	(107.51)
Passed Through Ames Laboratory			
University of Tennessee	Ames Laboratory SC-09-323 Zhu	81 / SC-09-323 MOD# 1	151,095.91
University of Tennessee	Ames Laboratory SC-10-331 Wu	81 / SC-10-331	37,235.22
Passed Through Argonne National Laboratory			
Middle Tennessee State University	Load-Balancing for Leadership Class Computers and Scalable System Software	81 / 0F-34482	34,626.34
University of Tennessee	Argonne Natl Lab-Sub1F-30501 - Dongarra	81 / SUB 1F-30501	46,812.65
Passed Through Battelle Energy Alliance, Limited Liability Company			
University of Tennessee	Battelle Energy Alliance, LLC Khomami	81 / 00091981	218,708.18
University of Tennessee	Battelle Energy 00098691 Upadhyaya	81 / 00098691	29,631.93
University of Tennessee	Battelle Energy Alliance 00098888 Hines	81 / 00098888	64,832.94
University of Tennessee	Battelle Energy 00103759 Wirth Yr 1	81 / 00103759	21,701.84
University of Tennessee	Battelle Energy-00105162 Wirth	81 / 00105162	182,650.86
Passed Through Battelle Memorial Institute			
University of Tennessee	Battelle Memorial Institute-103164-Liaw	81 / 103164	18,486.36
University of Tennessee	Battelle Memorial Inst PNNL 116034 Hines	81 / 116034	12,882.49
University of Tennessee	Battelle Memorial-PND 134949 Loeffler	81 / 134949	14,489.91
Passed Through Fermi Research Alliance, Limited Liability Company			
University of Tennessee	Fermi Research Alliance, LLC - Spanier	81 / P. O. # 580849 REV#4	26,888.67
Passed Through Gas Technology Institute			
University of Tennessee	Gas Tech Instit- Sub#S218 - Lin	81 / SUB #S218	62,604.45
Passed Through Lawrence Livermore National Laboratory			
University of Tennessee	Lawrence Livermore B591195 Symes	81 / B591195	44,693.04
Passed Through Los Alamos National Laboratory			
University of Tennessee	Los Alamos Natl L-61500-001-08-Maldonado	81 / 61500-001-08	6,223.02
Passed Through North Carolina State University			
University of Tennessee	NCSU-2007-1694-03 - Sanders	81 / 2007-1694-03 MOD 3	45,457.60
University of Tennessee	NC State Univ-Sub2010-1691-01 Weber Yr1	81 / SUB2010-1691-01	21,575.71

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Oak Ridge Associated Universities			
University of Tennessee	ORAU 10-22911 Radiation Injury-LaBlanc	81 / 10-22911	8,707.56
University of Tennessee	ORAU-Purchase Order # 8-18215-Bingham	81 / PO # 8-18215	16,788.99
Passed Through Pacific Northwest National Laboratory			
University of Tennessee	PNNL Battelle POLYSYS-FCA-Hellwinkel	81 / 150652	11,361.18
Passed Through Rensselaer Polytechnic Institute			
University of Tennessee	Rensselaer Polytechni-A305260-Nazarewicz	81 / SUBCONTRACT # A30560	74,942.19
Passed Through Sandia National Laboratories			
Tennessee Technological University	Automatic Dynamic Resource-Aware Runtime System	81 / PO 1104071	45,051.09
University of Memphis	Strategy Shifting in Complex Multimodal Environments	81 / PO 1071364	2,200.19
University of Memphis	Robust Automated Knowledge Capture	81 / PO 870235	(2.00)
University of Tennessee	Sandia National Lab Multisensor Abidi	81 / PO # 1101746 REV # 1	25,555.13
Passed Through SLAC National Accelerator Laboratory			
University of Tennessee	SLAC Natl Accelerator Lab 85437 Britton	81 / SUBCONTRACT # 85437	22,126.03
Passed Through University of Arizona			
University of Tennessee	Univ of Arizona PO # Y561966	81 / PO # Y561966	1,260.00
Passed Through University of California			
University of Tennessee	Univ of California-LBNL-6898750 - Liu	81 / 6898750	30,560.86
University of Tennessee	Univ of California-LBNL-6902163-Dongarra	81 / SUBCONTRACT# 6902163	53,803.24
Passed Through University of Texas			
University of Tennessee	Univ of Texas-Austin-UTA08-929 - Zhang	81 / UTA08-929 AMEND 1	86,558.41
Subtotal Pass-Through Programs			<u>\$ 26,470,294.53</u>
Subtotal Department of Energy			<u>\$ 36,104,791.20</u>
Department of Education			
Institute of Education Sciences			
Direct Programs			
University of Memphis	Education Research, Development and Dissemination	84.305	\$ 1,830,084.38

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Tennessee	Education Research, Development and Dissemination	84.305	116,181.18	\$ 1,946,265.56
Subtotal Direct Programs				<u>\$ 1,946,265.56</u>
Passed Through Northern Illinois University				
University of Memphis	Education Research, Development and Dissemination	84.305 / PO 89595		\$ 143,427.21
Passed Through Siskin Children's Institute				
Middle Tennessee State University	Research in Special Education	84.324 / R 324 B070003		41,587.98
Passed Through University of Georgia				
University of Tennessee	Research in Special Education	84.324 / RR242-421/4694268		<u>18,192.63</u>
Subtotal Pass-Through Programs				<u>\$ 203,207.82</u>
Subtotal Institute of Education Sciences				<u>\$ 2,149,473.38</u>
Office of Educational Research and Improvement				
Passed Through Virginia Department of Education				
University of Memphis	Twenty-First Century Community Learning Centers	84.287 / 21CCLC2008	\$ 5,700.76	
University of Memphis	Twenty-First Century Community Learning Centers	84.287 / 21CCLC2009	68,032.65	\$ 73,733.41
Subtotal Office of Educational Research and Improvement				<u>\$ 73,733.41</u>
Office of Elementary and Secondary Education				
Passed Through Memphis City Schools				
University of Memphis	Striving Readers	84.371 / 01-49551-N-01		<u>\$ 50,100.82</u>
Subtotal Office of Elementary and Secondary Education				<u>\$ 50,100.82</u>
Office of Innovation and Improvement				
Passed Through Hawkins County Schools				
East Tennessee State University	Fund for the Improvement of Education	84.215 / 72120-399-961		<u>\$ 11,267.84</u>
Subtotal Office of Innovation and Improvement				<u>\$ 11,267.84</u>
Office of Postsecondary Education				
Direct Programs				
Roane State Community College	Fund for the Improvement of Postsecondary Education	84.116	\$ 120,707.31	
University of Tennessee	Fund for the Improvement of Postsecondary Education	84.116	18,788.50	\$ 139,495.81
University of Memphis	Centers for International Business Education	84.220		<u>333,599.99</u>

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Tennessee	Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407	128,108.19
Subtotal Direct Programs			\$ 601,203.99
Passed Through Smithsonian Institution			
University of Memphis	ARRA-Overseas Programs - Doctoral Dissertation Research Abroad	84.022 / 11-SUBC-440-0000220859	\$ 257,491.69
Subtotal Pass-Through Programs			\$ 257,491.69
Subtotal Office of Postsecondary Education			\$ 858,695.68
Office of Special Education and Rehabilitative Services			
Direct Programs			
University of Tennessee	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	\$ 14,253.78
Subtotal Office of Special Education and Rehabilitative Services			\$ 14,253.78
Other Programs			
Direct Programs			
University of Memphis	Bilingual Education Support Services	84.194	\$ 287,573.99
Subtotal Direct Programs			\$ 287,573.99
Passed Through CNA Corporation			
University of Memphis	Hybrid Algebra Study	84 / PO 0019496	\$ 20,952.43
University of Memphis	Hybrid Algebra Study	84 / PO 0019497	1,183.29
University of Memphis	Hybrid Algebra Study	84 / PO 0019498	41.62
University of Memphis	Hybrid Algebra Study	84 / PO 0019674	1,509.08
Subtotal Pass-Through Programs			\$ 23,686.42
Subtotal Other Programs			\$ 311,260.41
Subtotal Department of Education			\$ 3,468,785.32
National Archives and Records Administration			
Direct Programs			
University of Tennessee	National Historical Publications and Records Grants	89.003	\$ 243,707.85
Subtotal National Archives and Records Administration			\$ 243,707.85
Department of Health and Human Services			
Administration for Children and Families			
Passed Through Methodist LeBonheur Healthcare, Incorporated			

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
University of Memphis	Child Abuse and Neglect Discretionary Activities	93.670 / 97212-2011	\$ 19,708.24
Subtotal Administration for Children and Families			\$ 19,708.24
Agency for Healthcare Research and Quality			
Direct Programs			
Finance and Administration	Research on Healthcare Costs, Quality and Outcomes	93.226	\$ (30,489.74)
Subtotal Agency for Healthcare Research and Quality			\$ (30,489.74)
Centers for Disease Control and Prevention			
Direct Programs			
University of Tennessee	Research, Treatment and Education Programs on Lyme Disease in the United States	93.942	\$ 721,588.58
Middle Tennessee State University	Assistance Programs for Chronic Disease Prevention and Control	93.945	274,608.96
Subtotal Direct Programs			\$ 996,197.54
Passed Through Emory University			
University of Tennessee	Environmental Public Health and Emergency Response	93.070 / S334276	\$ 118,606.08
Passed Through Georgia Institute of Technology			
East Tennessee State University	Environmental Public Health and Emergency Response	93.070 / RA153-G1	21,227.39
Passed Through Meharry Medical College			
Tennessee State University	Injury Prevention and Control Research and State and Community Based Programs	93.136 / 5U49CE001022-03	12,259.52
Passed Through St. Jude Children's Research Hospital			
University of Tennessee	Immunization Research, Demonstration, Public Information and Education_Training and Clinical Skills Improvement Projects	93.185 / IP000302	543,472.61
Passed Through University of Alabama at Birmingham			
University of Tennessee	Occupational Safety and Health Program	93.262 / 286477-SUBCODE 004	(790.52)
Passed Through University of North Carolina			
University of Tennessee	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283 / DD000199	52,024.59

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Metropolitan Government of Nashville and Davidson County				
Tennessee State University	ARRA-Prevention and Wellness-Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724 / 1U58DP002447-01		33,600.42
Passed Through Shelby County Office of Early Childhood and Youth				
University of Memphis	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946 / CA1111118	\$	31,333.32
University of Memphis	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946 / CA1112952	12,000.00	43,333.32
Subtotal Pass-Through Programs			\$	823,733.41
Subtotal Centers for Disease Control and Prevention			\$	1,819,930.95
Centers for Medicare and Medicaid Services				
Direct Programs				
Tennessee State University	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	\$	17,278.15
Subtotal Centers for Medicare and Medicaid Services			\$	17,278.15
Food and Drug Administration				
Direct Programs				
University of Tennessee	Food and Drug Administration_Research	93.103	\$	280,042.52
Subtotal Food and Drug Administration			\$	280,042.52
Health Resources and Services Administration				
Direct Programs				
University of Tennessee	Specially Selected Health Projects	93.888	\$	107,098.87
Subtotal Direct Programs			\$	107,098.87
Passed Through University of North Carolina				
University of Tennessee	Maternal and Child Health Federal Consolidated Programs	93.110 / MC05053	\$	22,024.69
Passed Through Mountain States Health Alliance				
East Tennessee State University	Telehealth Programs	93.211 / 1H2AIT16637		45,157.91

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Michigan Public Health Institute				
East Tennessee State University	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224 / 2-3-9100-61209		3,537.25
Passed Through Delta Health Alliance				
University of Tennessee	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912 / RH08555		56,157.19
Subtotal Pass-Through Programs			\$	126,877.04
Subtotal Health Resources and Services Administration			\$	233,975.91
National Institutes of Health				
Direct Programs				
East Tennessee State University	Environmental Health	93.113	\$	26,638.50
University of Memphis	Environmental Health	93.113		509,361.88
University of Tennessee	Environmental Health	93.113		28,808.64
University of Tennessee	Oral Diseases and Disorders Research	93.121		55,830.39
East Tennessee State University	Research Related to Deafness and Communication Disorders	93.173	\$	64,139.78
University of Memphis	Research Related to Deafness and Communication Disorders	93.173		95,355.04
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173		869,460.66
East Tennessee State University	Mental Health Research Grants	93.242	\$	801,132.57
University of Memphis	Mental Health Research Grants	93.242		58,630.28
University of Tennessee	Mental Health Research Grants	93.242		1,115,451.30
University of Memphis	Alcohol Research Programs	93.273	\$	236,412.05
University of Tennessee	Alcohol Research Programs	93.273		1,963,240.28
East Tennessee State University	Drug Abuse and Addiction Research Programs	93.279	\$	28,460.54
University of Memphis	Drug Abuse and Addiction Research Programs	93.279		982,000.95
University of Tennessee	Drug Abuse and Addiction Research Programs	93.279		1,836,819.75
University of Tennessee	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		574,078.59
East Tennessee State University	Minority Health and Health Disparities Research	93.307		18,541.44
University of Tennessee	Nursing Research	93.361	\$	417,824.02
University of Tennessee	ARRA-Nursing Research	93.361		17,243.88
University of Tennessee	National Center for Research Resources	93.389		435,067.90
East Tennessee State University	Cancer Cause and Prevention Research	93.393	\$	181,513.42
University of Tennessee	Cancer Cause and Prevention Research	93.393		1,019,457.56
				1,200,970.98

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
East Tennessee State University	Cancer Detection and Diagnosis Research	93.394	\$ 254,446.82	
University of Memphis	Cancer Detection and Diagnosis Research	93.394	48,263.72	
University of Tennessee	Cancer Detection and Diagnosis Research	93.394	63.68	302,774.22
University of Tennessee	Cancer Treatment Research	93.395		1,544,292.03
University of Tennessee	Cancer Biology Research	93.396		1,249,214.20
East Tennessee State University	Cancer Research Manpower	93.398		55,790.00
University of Tennessee	Cancer Control	93.399		334,575.66
East Tennessee State University	Cardiovascular Diseases Research	93.837	\$ 1,805,871.35	
University of Memphis	Cardiovascular Diseases Research	93.837	292,770.94	
University of Tennessee	Cardiovascular Diseases Research	93.837	8,140,936.95	10,239,579.24
East Tennessee State University	Lung Diseases Research	93.838	\$ 45,399.78	
University of Tennessee	Lung Diseases Research	93.838	1,532,216.08	1,577,615.86
University of Tennessee	Blood Diseases and Resources Research	93.839		274,505.56
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846		1,601,445.38
East Tennessee State University	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	\$ 189,682.69	
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	3,863,217.11	4,052,899.80
East Tennessee State University	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	\$ 18,493.14	
University of Memphis	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	360,919.90	
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	3,920,697.21	4,300,110.25
East Tennessee State University	Allergy, Immunology and Transplantation Research	93.855	\$ 490,623.34	
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855	3,788,356.72	
University of Tennessee	ARRA-Allergy, Immunology and Transplantation Research	93.855	85,787.50	4,364,767.56
East Tennessee State University	Biomedical Research and Research Training	93.859	\$ 513,348.07	
Tennessee State University	Biomedical Research and Research Training	93.859	278,215.57	
University of Tennessee	Biomedical Research and Research Training	93.859	1,996,913.63	2,788,477.27
East Tennessee State University	Child Health and Human Development Extramural Research	93.865	\$ 68,244.48	
University of Memphis	Child Health and Human Development Extramural Research	93.865	220,478.80	
University of Tennessee	Child Health and Human Development Extramural Research	93.865	544,728.96	833,452.24
University of Tennessee	Aging Research	93.866		597,714.97
University of Tennessee	Vision Research	93.867	\$ 1,841,426.44	
University of Tennessee	ARRA-Vision Research	93.867	51,065.60	1,892,492.04
Middle Tennessee State University	Medical Library Assistance	93.879		84,863.49
Subtotal Direct Programs			\$	47,127,475.81

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through University of Michigan				
University of Tennessee	Environmental Health	93.113 / 3001668850	\$	18,968.73
Passed Through Nova Southeastern University				
University of Tennessee	Oral Diseases and Disorders Research	93.121 / DE0187774		4,551.36
Passed Through Cornell University				
University of Tennessee	Research Related to Deafness and Communication Disorders	93.173 / DC-008702		125,855.82
University of Tennessee	Cancer Treatment Research	93.395 / 54352-9027		51,438.05
Passed Through Duke University				
East Tennessee State University	Research Related to Deafness and Communication Disorders	93.173 / 10-NIH-1037		36,333.41
University of Tennessee	Cancer Cause and Prevention Research	93.393 / 203-0310 AMEND # 1	\$	18,881.97
University of Tennessee	Cancer Cause and Prevention Research	93.393 / SUBAWARD # 150508	27,871.50	46,753.47
Passed Through University of Iowa				
East Tennessee State University	Research Related to Deafness and Communication Disorders	93.173 / UNKNOWN		4,857.00
Passed Through Emory University				
University of Tennessee	Research and Training in Complementary and Alternative Medicine	93.213 / S494529		10,850.96
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS062778	\$	42,198.67
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS065701		30,536.30
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS067201	121,681.19	194,416.16
Passed Through Medical College of Wisconsin				
University of Memphis	Mental Health Research Grants	93.242 / P01236907		50,781.65
Passed Through Research Foundation for Mental Hygiene, Incorporated				
University of Tennessee	Mental Health Research Grants	93.242 / 96757		29,569.88
Passed Through University of Illinois at Chicago				
University of Tennessee	Mental Health Research Grants	93.242 / 491739 E5151	\$	33,005.71
University of Tennessee	Mental Health Research Grants	93.242 / 5P20MH078458-02	63,172.06	96,177.77
Passed Through Vanderbilt University				
Middle Tennessee State University	Mental Health Research Grants	93.242 / 21357-S1	\$	513.82
University of Tennessee	Mental Health Research Grants	93.242 / MH063232	7,441.78	7,955.60

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Butler Hospital				
University of Tennessee	Alcohol Research Programs	93.273 / 9003-8324		8,613.20
Passed Through Jackson Laboratory				
University of Tennessee	Alcohol Research Programs	93.273 / ETHANOL RESEARCH	\$ 30,000.00	66,539.11
University of Tennessee	Alcohol Research Programs	93.273 / PO 649734	36,539.11	
Passed Through University of British Columbia				
University of Memphis	Alcohol Research Programs	93.273 / 20R48679	\$ 28,727.43	90,296.47
University of Tennessee	Alcohol Research Programs	93.273 / AA016666	61,569.04	
Passed Through Virginia Commonwealth University				
University of Tennessee	Alcohol Research Programs	93.273 / PT100580-SC100569		112,606.81
Passed Through Health Research, Incorporated				
East Tennessee State University	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286 / 3687-01		12,155.02
Passed Through Louisiana State University				
University of Tennessee	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286 / 1R01EB006639-01A1		120,516.70
Passed Through Meharry Medical College				
Tennessee State University	Minority Health and Health Disparities Research	93.307 / 2P20MD000516-05A1	\$ (459.77)	157,447.28
Tennessee State University	Minority Health and Health Disparities Research	93.307 / 5P20MD000516-06	84,887.60	
Tennessee State University	Minority Health and Health Disparities Research	93.307 / 5P20MD000516-07	73,019.45	
Tennessee State University	Cancer Centers Support Grants	93.397 / 1P20CA144809-01	\$ 8,405.96	29,504.66
Tennessee State University	Cancer Centers Support Grants	93.397 / 1U54CA153708-1	21,098.70	
Tennessee State University	Biomedical Research and Research Training	93.859 / 5U54CA091408-09	\$ 3,834.73	214,175.53
Tennessee State University	Biomedical Research and Research Training	93.859 / 5U54CA091408-10	210,340.80	
Passed Through Clemson University				
University of Tennessee	National Center for Research Resources	93.389 / 1307-7558-2092007132		94,854.04
Passed Through University of Massachusetts				
University of Tennessee	Cancer Cause and Prevention Research	93.393 / PO #0001287522		134,441.17
Passed Through University of Pittsburgh				
University of Memphis	Cancer Cause and Prevention Research	93.393 / 0019106		121,155.13
University of Tennessee	Aging Research	93.866 / AG028050		48,773.33

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through University of Rochester				
East Tennessee State University	Cancer Cause and Prevention Research	93.393 / 414462-G		6,880.00
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS050095	\$ 15,463.86	
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS37167	10,031.45	25,495.31
Passed Through The Miriam Hospital				
University of Tennessee	Cancer Detection and Diagnosis Research	93.394 / 710-9801		10,054.34
Passed Through Duke University Medical Center				
University of Tennessee	Cancer Treatment Research	93.395 / CA 112519		18,598.69
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / HD057956		1,278.90
Passed Through National Childhood Cancer Foundation				
East Tennessee State University	Cancer Treatment Research	93.395 / 98543-1033		3,215.70
Passed Through St. Jude Children's Research Hospital				
University of Tennessee	Cancer Treatment Research	93.395 / CA132901		12,062.86
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / AI069529	\$ 134,161.40	
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / AI070721	926.50	
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / AI076816	71,232.45	
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / AI088729	42,877.76	
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / AI090810	148,282.94	397,481.05
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / HD059292		17,105.12
Passed Through University of Rhode Island				
East Tennessee State University	Cancer Biology Research	93.396 / 032910/0002446	\$ 51,395.08	
East Tennessee State University	Cancer Biology Research	93.396 / 041211/0002821	12,739.75	64,134.83
Passed Through CTRC Research Foundation				
East Tennessee State University	Cancer Control	93.399 / CA37429		14,932.41
Passed Through Johns Hopkins University				
University of Memphis	Cancer Control	93.399 / R01CA039416		(0.01)
University of Tennessee	Blood Diseases and Resources Research	93.839 / HL68927		3,794.68
East Tennessee State University	Biomedical Research and Research Training	93.859 / 2000954529		6,591.25
Passed Through Ithaca College				
East Tennessee State University	Cardiovascular Diseases Research	93.837 / 1R01HL098589		27,266.22

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Passed Through University of Michigan			
University of Tennessee	Cardiovascular Diseases Research	93.837 / HL094345	10,770.28
Passed Through University of Toledo			
University of Tennessee	Cardiovascular Diseases Research	93.837 / HL071556	(961.28)
Passed Through University of Washington			
University of Tennessee	Cardiovascular Diseases Research	93.837 / HL077863	14,652.54
Passed Through Columbus Children's Research Institute			
University of Tennessee	Lung Diseases Research	93.838 / HL075261	40,742.39
Passed Through University of Alabama			
University of Tennessee	Lung Diseases Research	93.838 / 000272595-004	21,330.05
Passed Through University of California			
University of Tennessee	Lung Diseases Research	93.838 / HL094338	70.59
University of Tennessee	Aging Research	93.866 / AG10483	3,750.00
University of Tennessee	Vision Research	93.867 / EY013198	17,499.11
Passed Through University of Chicago			
University of Tennessee	Lung Diseases Research	93.838 / HL080417	37,465.08
Passed Through University of Alabama at Birmingham			
University of Tennessee	Blood Diseases and Resources Research	93.839 / HL095468	82,654.18
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847 / DK-082753	16,042.19
University of Tennessee	Child Health and Human Development Extramural Research	93.865 / HD39939	1,834.14
Passed Through University of Kansas Medical Center			
University of Tennessee	Arthritis, Musculoskeletal and Skin Diseases Research	93.846 / DP00187-QW817980	0.01
Passed Through State University of New York			
University of Tennessee	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847 / PO #R635210 Amend 01	25,552.84
Passed Through Cornell Medical Center			
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS50324	1,061.47
Passed Through Massachusetts General Hospital			
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / AT000613	\$ 20,942.83
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS052592	63,457.44
			84,400.27

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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Medical University of South Carolina				
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS058728		12,021.41
Passed Through Northwestern University				
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS047085		225,138.78
Passed Through Yale University				
University of Tennessee	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853 / NS053865		6,607.20
Passed Through Ohio State University Research Foundation				
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / RF01228833 PO		29,895.71
Passed Through Seattle Children's Hospital				
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / AI071163		55,798.14
Passed Through University of Arkansas for Medical Sciences				
University of Memphis	Allergy, Immunology and Transplantation Research	93.855 / 30646 AMEND 3	\$ 19,932.19	
University of Memphis	Allergy, Immunology and Transplantation Research	93.855 / 30646 AMEND 4	626.36	20,558.55
Passed Through University of North Carolina				
University of Tennessee	Allergy, Immunology and Transplantation Research	93.855 / AI057157		74,144.63
Passed Through Iowa State University				
University of Memphis	Biomedical Research and Research Training	93.859 / 430 46 06A AMEND 03		24,197.84
Passed Through Wake Forest University				
University of Tennessee	Aging Research	93.866 / AG033087		93,750.71
Passed Through Columbia University				
University of Tennessee	International Research and Research Training	93.989 / 1 (ACCT #5-63306)	\$ 17,330.73	
University of Tennessee	International Research and Research Training	93.989 / 2 (ACCT #5-28731)-01	(7,884.55)	9,446.18
Passed Through Michigan State University				
University of Tennessee	International Research and Research Training	93.989 / 610762UT		(932.83)
Subtotal Pass-Through Programs			\$	3,405,969.84

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Subtotal National Institutes of Health			\$	50,533,445.65
Office of Disease Prevention and Health Promotion				
Direct Programs				
University of Tennessee	National Health Promotion	93.990	\$	81,894.83
Subtotal Office of Disease Prevention and Health Promotion			\$	81,894.83
President's Council on Physical Fitness and Sports				
Passed Through University of Kentucky				
University of Tennessee	President's Council on Fitness, Sports, and Nutrition	93.289 / 3049024225-11-192	\$	77,420.41
Subtotal President's Council on Physical Fitness and Sports			\$	77,420.41
Substance Abuse and Mental Health Services Administration				
Direct Programs				
East Tennessee State University	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	\$	82,747.85
Subtotal Direct Programs			\$	82,747.85
Passed Through Case Management, Incorporated				
University of Memphis	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243 / BABYLOVE II	\$	66,724.82
Subtotal Pass-Through Programs			\$	66,724.82
Subtotal Substance Abuse and Mental Health Services Administration			\$	149,472.67
Other Programs				
Direct Programs				
University of Tennessee	Human Genome Research	93.172	\$	36,118.80
East Tennessee State University	Academic Research Enhancement Award	93.390		36,805.32
East Tennessee State University	ARRA-Trans-NIH Recovery Act Research Support	93.701	\$ 1,047,820.86	
Middle Tennessee State University	ARRA-Trans-NIH Recovery Act Research Support	93.701	46,690.69	
University of Memphis	ARRA-Trans-NIH Recovery Act Research Support	93.701	721,110.73	
University of Tennessee	ARRA-Trans-NIH Recovery Act Research Support	93.701	9,050,744.72	10,866,367.00
East Tennessee State University	ARRA-National Center for Research Resources, Recovery Act Construction Support	93.702		330,794.03
University of Tennessee	Digestive Diseases and Nutrition Research	93.848		2,592,467.78
University of Tennessee	Microbiology and Infectious Diseases Research	93.856		319,427.01

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Memphis	Alzheimer's Disease and Social Networks	93 / HHSN268201100195P		832.30
University of Tennessee	CDC IPA Agmt 10IPA1009407-Suda	93 / 10IPA1009407		22,242.32
University of Tennessee	NCI COTC007a Topotecan Dogs-Phillips	93 / COTC007A		87,907.79
University of Tennessee	NIH 1R21EY018935-01A1 Chen, YI	93 / 1R21EY018935-01A1		79,638.58
University of Tennessee	NIH 2R01AI01436725A2 Replication-Brian	93 / 2R01AI01436725A2		324,650.85
University of Tennessee	NIH Green Tea Precancer Prevention-Wang	93 / 1R21CA129772-01A2		128,496.36
University of Tennessee	USPHS-NCI Order 263-MQ-012865	93 / 263-MQ-012865		423.40
University of Tennessee	ARRA-NIH 1R21EY018385-01A2 Chen, YI	93 / 1R21EY018385-01A2		185,965.37
Subtotal Direct Programs			\$	15,012,136.91
Passed Through University of North Carolina				
University of Tennessee	Human Genome Research	93.172 / 5-34534	\$	142,490.89
University of Tennessee	Human Genome Research	93.172 / SUB 5-30792		28,655.51
			\$	171,146.40
Passed Through Buffalo Valley, Incorporated				
University of Memphis	Consolidated Knowledge Development and Application (KD&A) Program	93.230 / T109006		67,804.81
Passed Through Baylor College of Medicine				
University of Tennessee	ARRA-Trans-NIH Recovery Act Research Support	93.701 / HL056865		31,353.51
Passed Through Children's Mercy Hospital				
University of Tennessee	ARRA-Trans-NIH Recovery Act Research Support	93.701 / DK066143		109.71
University of Tennessee	Kidney Diseases, Urology and Hematology Research	93.849 / DK066143		1,269.74
Passed Through St. Jude Children's Research Hospital				
University of Tennessee	ARRA-Trans-NIH Recovery Act Research Support	93.701 / AI062415	\$	162,295.51
University of Tennessee	ARRA-Trans-NIH Recovery Act Research Support	93.701 / EY014867		130,811.26
				293,106.77
Passed Through University of Kansas Medical Center				
University of Tennessee	ARRA-Trans-NIH Recovery Act Research Support	93.701 / DK057301		164,850.08
Passed Through University of Missouri				
University of Memphis	ARRA-Trans-NIH Recovery Act Research Support	93.701 / C000270681		25,948.53
Passed Through University of Pittsburgh				
University of Memphis	ARRA-Trans-NIH Recovery Act Research Support	93.701 / 0007082		(0.23)

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through University of Utah				
University of Tennessee	ARRA-Trans-NIH Recovery Act Research Support	93.701 / NS069066		45,105.49
Passed Through University of Iowa				
University of Tennessee	Microbiology and Infectious Diseases Research	93.856 / AI-30040		19,249.25
Passed Through Shelby County Drug Court				
University of Memphis	Evaluation of the Shelby County Drug Court for Individuals with Co-Occurring Mental Health Disorders	93 / 1H79T1021892-01		38,519.84
Passed Through University of Alabama at Birmingham				
University of Tennessee	Univ Alabama Sub HHSN268200900047C	93 / HHSN268200900047C	\$ 7,637.43	
University of Tennessee	ARRA-Univ Alabama HHSN268200900047C	93 / HHSN268200900047C	4,507.28	12,144.71
Passed Through University of Rochester				
University of Tennessee	Univ Rochester-Influenza Res-Sangster	93 / PO#413944-G		0.30
Passed Through University of Toledo				
University of Tennessee	Univ Toledo Sub HHSN261200433000C	93 / HHSN261200433000C		203,928.89
Passed Through Vanderbilt University Medical Center				
Tennessee Technological University	VEHI Subcontract w/ Vanderbilt - Amendment #4	93 / VUMC31882-R - AMENDMENT NO. 4		(6.76)
Passed Through Wake Forest University				
University of Tennessee	Wake Forest Sub HHSN268201100004C	93 / HHSN268201100004C		41,024.21
Subtotal Pass-Through Programs			\$	1,115,555.25
Subtotal Other Programs			\$	16,127,692.16
Subtotal Department of Health and Human Services			\$	69,310,371.75
Department of Homeland Security				
Direct Programs				
Tennessee State University	Scientific Leadership Awards	97.062	\$	2,228.35
University of Tennessee	Homeland Security Research Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Detection	97.077		668,750.21
Tennessee Technological University	Detecting Anomalies in Shipping Data Using a Graph-Based Approach	97 / HSHQDC-10-C-00212		58,375.08
Subtotal Direct Programs			\$	729,353.64

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Passed Through Washington State University			
Tennessee Technological University	Research Projects	97.002 / 109446_G002336 AMENDMENT 4	\$ 4,282.55
Passed Through University of Minnesota			
University of Tennessee	Centers for Homeland Security	97.061 / P910602528-1	21,745.91
Passed Through University of Texas			
University of Memphis	Centers for Homeland Security	97.061 / UTAA08 063	4,293.16
Passed Through University of Mississippi			
University of Memphis	Nano Coated Metal Oxides	97 / 1007011	14,421.40
Subtotal Pass-Through Programs			\$ 44,743.02
Subtotal Department of Homeland Security			\$ 774,096.66
Other Federal Assistance			
Tennessee Valley Authority			
Direct Programs			
University of Tennessee	RMC-Federal	62 / TVA MEMBERSHIP	\$ 27,627.73
University of Tennessee	TVA 160729 p. ruthii Regenerate-Wadl	62 / PO 160729	1,400.00
University of Tennessee	TVA 99998950 Release No. 109 - Gage	62 / PO# 073151	53,765.05
University of Tennessee	TVA Elec Transp 09 Bailey	62 / PO 111475	4,642.62
University of Tennessee	TVA PO #117755 DeCorse	62 / PO # 117755	2,280.17
University of Tennessee	TVA PO #205185 DeCorse	62 / TVA PO#205185	15,830.62
University of Tennessee	TVA PO #215726 DeCorse	62 / PO # 215726	69,791.88
University of Tennessee	TVA PO #216056 AlgaeWheel Spratt 11	62 / PO NO 216056	29,236.03
University of Tennessee	TVA PO #226713 DeCorse	62 / PO # 226713	156,742.74
University of Tennessee	TVA PO #244457 Sander's Site DeCorse	62 / PO # 244457 REV 1	16,192.72
University of Tennessee	TVA PO #25673 DeCorse	62 / PO 25673	(311.93)
University of Tennessee	TVA PO #260141-Elec Transp 11 Bailey	62 / PO # 260141	8,915.11
University of Tennessee	TVA PO #70146 Driskell	62 / PO NUMBER 70146	12,867.89
University of Tennessee	TVA PO #73063 DeCorse	62 / PO NUMBER 73063	322.52
University of Tennessee	TVA Rel #110 Fly Ash Exposure-Souza	62 / RELEASE #110	5,209.96
University of Tennessee	TVA Release No. 108 - Tran	62 / 99998950R108	50,282.55
University of Tennessee	TVA Solar Decathlon Stach Year 1	62 / PO#156617	73,785.73
Subtotal Direct Programs			\$ 528,581.39
Passed Through Tennessee Advisory Commission on Intergovernmental Relations			
Middle Tennessee State University	Web Site of Economic Indicators for Tennessee's Economy	62 / 16721	\$ 31,781.00
Subtotal Pass-Through Programs			\$ 31,781.00
Subtotal Tennessee Valley Authority			\$ 560,362.39

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Nuclear Regulatory Commission			
Direct Programs			
University of Tennessee	U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008	\$ 337,160.61
Subtotal Direct Programs			\$ 337,160.61
Passed Through Oak Ridge Institute for Science and Education			
Tennessee State University	Gamma Spectroscopy of Heavy Metals in Bauxite Tailings and COUNT Summer Program	77 / NRC-27-10-506	\$ 16,759.65
Subtotal Pass-Through Programs			\$ 16,759.65
Subtotal Nuclear Regulatory Commission			\$ 353,920.26
Subtotal Other Federal Assistance			\$ 914,282.65
Total Research and Development Cluster			\$ 211,388,734.75

Student Financial Assistance Cluster

Department of Education

Direct Programs			
Austin Peay State University	Federal Supplemental Educational Opportunity Grants	84.007	\$ 326,689.00
Chattanooga State Community College	Federal Supplemental Educational Opportunity Grants	84.007	201,299.00
Cleveland State Community College	Federal Supplemental Educational Opportunity Grants	84.007	15,855.00
Columbia State Community College	Federal Supplemental Educational Opportunity Grants	84.007	85,755.43
Dyersburg State Community College	Federal Supplemental Educational Opportunity Grants	84.007	67,424.00
East Tennessee State University	Federal Supplemental Educational Opportunity Grants	84.007	404,211.00
Jackson State Community College	Federal Supplemental Educational Opportunity Grants	84.007	172,465.07
Middle Tennessee State University	Federal Supplemental Educational Opportunity Grants	84.007	620,981.00
Motlow State Community College	Federal Supplemental Educational Opportunity Grants	84.007	93,185.96
Nashville State Community College	Federal Supplemental Educational Opportunity Grants	84.007	182,014.00
Northeast State Community College	Federal Supplemental Educational Opportunity Grants	84.007	98,949.75
Pellissippi State Community College	Federal Supplemental Educational Opportunity Grants	84.007	235,583.43
Roane State Community College	Federal Supplemental Educational Opportunity Grants	84.007	38,064.00
Southwest Tennessee Community College	Federal Supplemental Educational Opportunity Grants	84.007	346,383.24
Tennessee State University	Federal Supplemental Educational Opportunity Grants	84.007	1,107,497.27
Tennessee Technological University	Federal Supplemental Educational Opportunity Grants	84.007	208,104.45

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Memphis	Federal Supplemental Educational Opportunity Grants	84.007	647,651.00	
University of Tennessee	Federal Supplemental Educational Opportunity Grants	84.007	1,250,871.00	
Volunteer State Community College	Federal Supplemental Educational Opportunity Grants	84.007	131,441.20	
Walters State Community College	Federal Supplemental Educational Opportunity Grants	84.007	130,068.75	\$ 6,364,493.55
Austin Peay State University	Federal Family Education Loans	84.032	\$ 884,214.71	
Cleveland State Community College	Federal Family Education Loans	84.032	7,414,379.47	
Northeast State Community College	Federal Family Education Loans	84.032	6,859,922.00	
Roane State Community College	Federal Family Education Loans	84.032	8,322,025.00	23,480,541.18
Austin Peay State University	Federal Work-Study Program	84.033	\$ 306,624.00	
Chattanooga State Community College	Federal Work-Study Program	84.033	272,413.97	
Cleveland State Community College	Federal Work-Study Program	84.033	44,705.00	
Columbia State Community College	Federal Work-Study Program	84.033	103,148.12	
Dyersburg State Community College	Federal Work-Study Program	84.033	72,645.95	
East Tennessee State University	Federal Work-Study Program	84.033	700,976.00	
Jackson State Community College	Federal Work-Study Program	84.033	159,707.37	
Middle Tennessee State University	Federal Work-Study Program	84.033	612,067.53	
Motlow State Community College	Federal Work-Study Program	84.033	99,667.00	
Nashville State Community College	Federal Work-Study Program	84.033	101,816.69	
Northeast State Community College	Federal Work-Study Program	84.033	136,334.09	
Pellissippi State Community College	Federal Work-Study Program	84.033	178,538.72	
Roane State Community College	Federal Work-Study Program	84.033	150,396.00	
Southwest Tennessee Community College	Federal Work-Study Program	84.033	602,061.44	
Tennessee State University	Federal Work-Study Program	84.033	1,050,904.64	
Tennessee Technological University	Federal Work-Study Program	84.033	452,755.23	
University of Memphis	Federal Work-Study Program	84.033	918,179.78	
University of Tennessee	Federal Work-Study Program	84.033	1,865,007.77	
University of Tennessee	ARRA-Federal Work-Study Program	84.033	134.32	
Volunteer State Community College	Federal Work-Study Program	84.033	37,341.24	
Walters State Community College	ARRA-Federal Work-Study Program	84.033	223,403.08	8,088,827.94
Austin Peay State University	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	\$ 1,230,434.75	
East Tennessee State University	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	6,084,861.92	
Jackson State Community College	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	159,875.63	
Middle Tennessee State University	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	2,769,581.62	
Tennessee State University	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	2,217,453.95	
Tennessee Technological University	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	2,014,049.74	
University of Memphis	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	4,244,878.05	
University of Tennessee	Federal Perkins Loan Program_ Federal Capital Contributions	84.038	29,798,339.77	48,519,475.43
Austin Peay State University	Federal Pell Grant Program	84.063	\$ 21,670,406.58	

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Chattanooga State Community College	Federal Pell Grant Program	84.063	25,125,303.75	
Cleveland State Community College	Federal Pell Grant Program	84.063	8,923,809.98	
Columbia State Community College	Federal Pell Grant Program	84.063	10,900,483.55	
Dyersburg State Community College	Federal Pell Grant Program	84.063	8,717,086.32	
East Tennessee State University	Federal Pell Grant Program	84.063	23,653,998.00	
Jackson State Community College	Federal Pell Grant Program	84.063	18,999,051.40	
Middle Tennessee State University	Federal Pell Grant Program	84.063	42,493,833.00	
Motlow State Community College	Federal Pell Grant Program	84.063	10,296,284.06	
Nashville State Community College	Federal Pell Grant Program	84.063	21,726,252.08	
Northeast State Community College	Federal Pell Grant Program	84.063	17,566,644.59	
Pellissippi State Community College	Federal Pell Grant Program	84.063	20,568,570.87	
Roane State Community College	Federal Pell Grant Program	84.063	17,538,320.94	
Southwest Tennessee Community College	Federal Pell Grant Program	84.063	37,558,860.96	
Tennessee State University	Federal Pell Grant Program	84.063	22,283,402.00	
Tennessee Technological University	Federal Pell Grant Program	84.063	16,144,013.59	
University of Memphis	Federal Pell Grant Program	84.063	39,610,315.00	
University of Tennessee	Federal Pell Grant Program	84.063	58,408,806.00	
Volunteer State Community College	Federal Pell Grant Program	84.063	17,668,962.00	
Walters State Community College	Federal Pell Grant Program	84.063	13,736,162.67	453,590,567.34
Austin Peay State University	Federal Direct Student Loans	84.268	\$ 56,160,466.00	
Chattanooga State Community College	Federal Direct Student Loans	84.268	33,694,868.00	
Columbia State Community College	Federal Direct Student Loans	84.268	3,148,169.00	
Dyersburg State Community College	Federal Direct Student Loans	84.268	3,702,414.00	
East Tennessee State University	Federal Direct Student Loans	84.268	88,534,789.00	
Middle Tennessee State University	Federal Direct Student Loans	84.268	120,953,927.97	
Motlow State Community College	Federal Direct Student Loans	84.268	1,914,658.00	
Nashville State Community College	Federal Direct Student Loans	84.268	20,925,664.00	
Pellissippi State Community College	Federal Direct Student Loans	84.268	18,159,302.00	
Tennessee State University	Federal Direct Student Loans	84.268	71,452,436.00	
Tennessee Technological University	Federal Direct Student Loans	84.268	30,989,321.00	
University of Memphis	Federal Direct Student Loans	84.268	132,449,681.00	
University of Tennessee	Federal Direct Student Loans	84.268	265,643,942.00	
Volunteer State Community College	Federal Direct Student Loans	84.268	6,759,487.00	
Walters State Community College	Federal Direct Student Loans	84.268	3,041,403.00	857,530,527.97
Austin Peay State University	Academic Competitiveness Grants	84.375	\$ 367,498.00	
Chattanooga State Community College	Academic Competitiveness Grants	84.375	213,527.00	
Cleveland State Community College	Academic Competitiveness Grants	84.375	77,547.00	
Columbia State Community College	Academic Competitiveness Grants	84.375	158,776.50	
Dyersburg State Community College	Academic Competitiveness Grants	84.375	33,211.00	
East Tennessee State University	Academic Competitiveness Grants	84.375	740,676.50	
Jackson State Community College	Academic Competitiveness Grants	84.375	355,063.50	
Middle Tennessee State University	Academic Competitiveness Grants	84.375	1,728,497.00	
Motlow State Community College	Academic Competitiveness Grants	84.375	5,454.00	

State of Tennessee
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For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Nashville State Community College	Academic Competitiveness Grants	84.375	45,253.00	
Northeast State Community College	Academic Competitiveness Grants	84.375	124,357.00	
Pellissippi State Community College	Academic Competitiveness Grants	84.375	289,837.50	
Roane State Community College	Academic Competitiveness Grants	84.375	169,258.00	
Southwest Tennessee Community College	Academic Competitiveness Grants	84.375	407,626.00	
Tennessee State University	Academic Competitiveness Grants	84.375	101,082.00	
Tennessee Technological University	Academic Competitiveness Grants	84.375	923,551.00	
University of Memphis	Academic Competitiveness Grants	84.375	927,951.00	
University of Tennessee	Academic Competitiveness Grants	84.375	2,527,096.00	
Volunteer State Community College	Academic Competitiveness Grants	84.375	236,765.00	
Walters State Community College	Academic Competitiveness Grants	84.375	<u>17,488.00</u>	9,450,515.00
Austin Peay State University	National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	\$ 399,914.00	
East Tennessee State University	National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	526,871.00	
Middle Tennessee State University	National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	858,809.00	
Tennessee State University	National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	64,800.00	
Tennessee Technological University	National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	707,919.00	
University of Memphis	National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	275,225.00	
University of Tennessee	National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	<u>1,886,104.00</u>	4,719,642.00
Chattanooga State Community College	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	\$ 25,500.00	
East Tennessee State University	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	37,350.00	
Middle Tennessee State University	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	216,500.00	
Tennessee State University	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	59,000.00	
Tennessee Technological University	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	366,012.00	
University of Memphis	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	106,687.00	
University of Tennessee	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	<u>131,335.00</u>	942,384.00
Subtotal Department of Education			<u>\$ 1,412,686,974.41</u>	

State of Tennessee
Schedule of Expenditures of Federal Awards
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Department of Health and Human Services				
Direct Programs				
East Tennessee State University	Nurse Faculty Loan Program (NFLP)	93.264	\$ 46,913.80	
University of Tennessee	Nurse Faculty Loan Program (NFLP)	93.264	63,065.00	\$ 109,978.80
University of Tennessee	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342		1,455,268.32
University of Tennessee	Nursing Student Loans	93.364		228,831.93
Austin Peay State University	ARRA-Scholarships for Disadvantaged Students	93.407	\$ 2,550.00	
Tennessee State University	ARRA-Scholarships for Disadvantaged Students	93.407	31,716.00	
University of Tennessee	ARRA-Scholarships for Disadvantaged Students	93.407	33,523.00	67,789.00
University of Tennessee	ARRA-Nurse Faculty Loan Program	93.408		27,094.00
Austin Peay State University	Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	\$ 3,886.00	
Middle Tennessee State University	Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	18,136.00	
Tennessee State University	Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	90,203.65	
University of Tennessee	Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	51,490.01	163,715.66
Subtotal Department of Health and Human Services			\$ 2,052,677.71	
Total Student Financial Assistance Cluster			\$ 1,414,739,652.12	
SNAP Cluster				
Department of Agriculture				
Direct Programs				
Human Services	Supplemental Nutrition Assistance Program (Noncash Award)	10.551		\$ 2,043,156,308.68
Human Services	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 55,927,356.93	
Labor and Workforce Development	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	3,411,882.43	59,339,239.36
Subtotal Department of Agriculture			\$ 2,102,495,548.04	
Total SNAP Cluster			\$ 2,102,495,548.04	
Child Nutrition Cluster				
Department of Agriculture				
Direct Programs				
Education	School Breakfast Program	10.553		\$ 71,990,803.18

State of Tennessee
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State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Agriculture	National School Lunch Program (Noncash Award)	10.555	\$ 28,753,734.00	
Education	National School Lunch Program	10.555	212,322,030.14	241,075,764.14
Education	Special Milk Program for Children	10.556		13,672.04
Human Services	Summer Food Service Program for Children	10.559	\$	8,098,866.07
Subtotal Department of Agriculture				\$ 321,179,105.43
Total Child Nutrition Cluster				\$ 321,179,105.43

Emergency Food Assistance Cluster

Department of Agriculture

Direct Programs

Agriculture	Emergency Food Assistance Program (Administrative Costs)	10.568	\$ 1,504,547.13	
Agriculture	ARRA-Emergency Food Assistance Program (Administrative Costs)	10.568	856,347.40	\$ 2,360,894.53
Agriculture	Emergency Food Assistance Program (Food Commodities) (Noncash Award)	10.569		12,918,325.00
Subtotal Department of Agriculture				\$ 15,279,219.53
Total Emergency Food Assistance Cluster				\$ 15,279,219.53

Section 8 Project-Based Cluster

Department of Housing and Urban Development

Direct Programs

Tennessee Housing Development Agency	Section 8 Housing Assistance Payments Program	14.195	\$	154,827,024.63
Subtotal Department of Housing and Urban Development				\$ 154,827,024.63
Total Section 8 Project-Based Cluster				\$ 154,827,024.63

CDBG - Entitlement Grants Cluster

Department of Housing and Urban Development

Passed Through City of Murfreesboro

Middle Tennessee State University	Community Development Block Grants/Entitlement Grants	14.218 / B-09-MC-47-0009	\$	6,222.22
Subtotal Department of Housing and Urban Development				\$ 6,222.22
Total CDBG - Entitlement Grants Cluster				\$ 6,222.22

CDBG - State-Administered Small Cities Program Cluster

Department of Housing and Urban Development

Direct Programs

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Economic and Community Development	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	\$ 25,029,320.32	
Tennessee Housing Development Agency	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	16,937,864.18	\$ 41,967,184.50
Economic and Community Development	ARRA-Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii-(Recovery Act Funded)	14.255		4,756,732.30
Subtotal Department of Housing and Urban Development				\$ 46,723,916.80
Total CDBG - State-Administered Small Cities Program Cluster				\$ 46,723,916.80
Housing Voucher Cluster				
Department of Housing and Urban Development				
Direct Programs				
Tennessee Housing Development Agency	Section 8 Housing Choice Vouchers	14.871	\$ 39,561,740.41	
Subtotal Department of Housing and Urban Development				\$ 39,561,740.41
Total Housing Voucher Cluster				\$ 39,561,740.41
CFP Cluster				
Department of Housing and Urban Development				
Passed Through Chattanooga Housing Authority				
Chattanooga State Community College	Public Housing Capital Fund	14.872 / PO 2254-1755	\$ 1,375.75	
Subtotal Department of Housing and Urban Development				\$ 1,375.75
Total CFP Cluster				\$ 1,375.75
Fish and Wildlife Cluster				
Department of the Interior				
Direct Programs				
Tennessee Wildlife Resources Agency	Sport Fish Restoration Program	15.605	\$ 7,918,815.88	
Tennessee Wildlife Resources Agency	Wildlife Restoration and Basic Hunter Education	15.611	7,208,643.97	
Subtotal Department of the Interior				\$ 15,127,459.85
Total Fish and Wildlife Cluster				\$ 15,127,459.85
JAG Program Cluster				
Department of Justice				

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Direct Programs				
Finance and Administration	Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$	4,385,696.07
Finance and Administration	ARRA-Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803		12,320,662.64
Subtotal Direct Programs			\$	16,706,358.71
Passed Through City of Memphis Police Department				
University of Tennessee	ARRA-Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803 / 26577	\$	41,521.34
Subtotal Pass-Through Programs			\$	41,521.34
Subtotal Department of Justice			\$	16,747,880.05
Total JAG Program Cluster			\$	16,747,880.05
Employment Service Cluster				
Department of Labor				
Direct Programs				
Labor and Workforce Development	Employment Service/Wagner-Peyser Funded Activities	17.207	\$	17,071,659.38
Labor and Workforce Development	ARRA-Employment Service/Wagner-Peyser Funded Activities	17.207	4,624,984.01	\$ 21,696,643.39
Labor and Workforce Development	Disabled Veterans' Outreach Program (DVOP)	17.801		1,384,387.77
Labor and Workforce Development	Local Veterans' Employment Representative Program	17.804		1,959,079.12
Subtotal Department of Labor			\$	25,040,110.28
Total Employment Service Cluster			\$	25,040,110.28
WIA Cluster				
Department of Labor				
Direct Programs				
Labor and Workforce Development	WIA Adult Program	17.258	\$	17,464,694.96
Labor and Workforce Development	ARRA-WIA Adult Program	17.258	1,750,901.69	\$ 19,215,596.65
Labor and Workforce Development	WIA Youth Activities	17.259	\$	18,416,229.98
Labor and Workforce Development	ARRA-WIA Youth Activities	17.259	2,689,584.17	21,105,814.15
Labor and Workforce Development	WIA Dislocated Workers	17.260	\$	12,345,088.08
Labor and Workforce Development	ARRA-WIA Dislocated Workers	17.260	8,137,439.84	20,482,527.92
Subtotal Direct Programs			\$	60,803,938.72

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Passed Through Alliance for Business and Training, Incorporated				
East Tennessee State University	ARRA-WIA Adult Program	17.258 / LW01ST91	\$	19,701.61
Passed Through Southeast Tennessee Development District				
Chattanooga State Community College	WIA Adult Program	17.258 / 09-52-PY8-ISS-STATE		9,776.77
Chattanooga State Community College	WIA Youth Activities	17.259 / YOUTH		402.80
Chattanooga State Community College	ARRA-WIA Dislocated Workers	17.260 / LW05ST91DSLWK09		93,007.74
Passed Through Upper Cumberland Human Resource Agency				
Volunteer State Community College	ARRA-WIA Adult Program	17.258 / 10-07-999-900-02-ST	\$	210,101.73
Volunteer State Community College	ARRA-WIA Adult Program	17.258 / 10-07-999-902-02-YUST	376.78	210,478.51
Passed Through Workforce Solutions				
Middle Tennessee State University	WIA Adult Program	17.258 / 16351		2,278.16
Passed Through American Federation of Labor and Congress of Industrial Organizations				
University of Memphis	ARRA-WIA Dislocated Workers	17.260 / CIO Survey		8,000.00
Subtotal Pass-Through Programs			\$	343,645.59
Subtotal Department of Labor			\$	61,147,584.31
Total WIA Cluster			\$	61,147,584.31
Highway Planning and Construction Cluster				
Department of Transportation				
Direct Programs				
Environment and Conservation Transportation	Highway Planning and Construction	20.205	\$	97,814.98
Transportation	Highway Planning and Construction	20.205	769,306,013.04	
Transportation	ARRA-Highway Planning and Construction	20.205	190,921,334.47	\$ 960,325,162.49
Environment and Conservation	Recreational Trails Program	20.219		1,764,749.86
Subtotal Department of Transportation			\$	962,089,912.35
Total Highway Planning and Construction Cluster			\$	962,089,912.35
Federal Transit Cluster				
Department of Transportation				
Direct Programs				
Transportation	Federal Transit_Capital Investment Grants	20.500	\$	2,347,469.95
Subtotal Department of Transportation			\$	2,347,469.95

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Total Federal Transit Cluster			\$ 2,347,469.95
Transit Services Programs Cluster			
Department of Transportation			
Direct Programs			
Transportation	Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	\$ 1,768,102.20
Transportation	Job Access_Reverse Commute	20.516	1,799,534.86
Transportation	New Freedom Program	20.521	338,539.35
Subtotal Department of Transportation			\$ 3,906,176.41
Total Transit Services Programs Cluster			\$ 3,906,176.41
Highway Safety Cluster			
Department of Transportation			
Direct Programs			
Transportation	State and Community Highway Safety	20.600	\$ 6,293,973.83
Transportation	Alcohol Impaired Countermeasures Incentive Grants I	20.601	2,403,390.23
Transportation	Safety Belts Performance Grants	20.609	535,271.15
Transportation	State Traffic Safety Information System Improvement Grants	20.610	833,071.89
Transportation	Incentive Grant Program to Prohibit Racial Profiling	20.611	(250,212.51)
Transportation	Incentive Grant Program to Increase Motorcyclist Safety	20.612	187,552.74
Transportation	Child Safety and Child Booster Seats Incentive Grants	20.613	462,541.73
Subtotal Department of Transportation			\$ 10,465,589.06
Total Highway Safety Cluster			\$ 10,465,589.06
Title I, Part A Cluster			
Department of Education			
Direct Programs			
Education	Title I Grants to Local Educational Agencies	84.010	\$ 230,955,217.12
Education	ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	87,767,259.76
Subtotal Direct Programs			\$ 318,722,476.88
Passed Through Alabama Department of Education			
University of Memphis	Title I Grants to Local Educational Agencies	84.010 / C0U0002	\$ 30,000.00
University of Memphis	Title I Grants to Local Educational Agencies	84.010 / C100001	41,250.00

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
University of Memphis	Title I Grants to Local Educational Agencies	84.010 / CIU0431	4,748.66	
University of Memphis	Title I Grants to Local Educational Agencies	84.010 / COU0404	71,825.55	\$ 147,824.21
Passed Through Illinois State Board of Education				
University of Memphis	Title I Grants to Local Educational Agencies	84.010 / MY10624	38,671.84	
Passed Through Virginia Department of Education				
University of Memphis	Title I Grants to Local Educational Agencies	84.010 / 780-86600-S010A090046	\$ 62,008.00	
University of Memphis	Title I Grants to Local Educational Agencies	84.010 / 780-86600-S010A100046	14,950.74	
University of Memphis	Title I Grants to Local Educational Agencies	84.010 / SES CREP 2008	8,640.00	85,598.74
Passed Through Hamilton County Department of Education				
Chattanooga State Community College	ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389 / S389A090042	99,960.53	
Passed Through Union County Schools				
University of Tennessee	Title I Grants to Local Educational Agencies, Recovery Act	84.389 / HIGH SCH REDESIGN EV	7,804.74	
Subtotal Pass-Through Programs			\$	379,860.06
Subtotal Department of Education			\$	319,102,336.94
Total Title I, Part A Cluster			\$	319,102,336.94
Special Education Cluster (IDEA)				
Department of Education				
Direct Programs				
Education	Special Education_Grants to States	84.027	\$	207,523,343.78
Education	Special Education_Preschool Grants	84.173		6,083,472.33
Education	ARRA-Special Education Grants to States, Recovery Act	84.391		90,690,438.30
Education	ARRA-Special Education - Preschool Grants, Recovery Act	84.392		3,256,393.88
Subtotal Department of Education			\$	307,553,648.29
Total Special Education Cluster (IDEA)			\$	307,553,648.29
TRIO Cluster				
Department of Education				
Direct Programs				
Austin Peay State University	TRIO_Student Support Services	84.042	\$	263,230.68
Columbia State Community College	TRIO_Student Support Services	84.042		117,274.57

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Dyersburg State Community College	TRIO_Student Support Services	84.042	91,365.22	
East Tennessee State University	TRIO_Student Support Services	84.042	311,868.77	
Middle Tennessee State University	TRIO_Student Support Services	84.042	224,768.86	
Northeast State Community College	TRIO_Student Support Services	84.042	300,611.08	
Pellissippi State Community College	TRIO_Student Support Services	84.042	235,467.97	
Tennessee State University	TRIO_Student Support Services	84.042	126,148.49	
University of Memphis	TRIO_Student Support Services	84.042	369,922.41	
University of Tennessee	TRIO_Student Support Services	84.042	420,669.86	
Volunteer State Community College	TRIO_Student Support Services	84.042	253,386.29	\$ 2,714,714.20
East Tennessee State University	TRIO Talent Search	84.044	\$ 279,037.51	
Middle Tennessee State University	TRIO Talent Search	84.044	206,538.44	
Tennessee State University	TRIO Talent Search	84.044	334,881.79	
University of Tennessee	TRIO_Talent Search	84.044	258,688.12	1,079,145.86
Austin Peay State University	TRIO_Upward Bound	84.047	\$ 887,711.41	
Dyersburg State Community College	TRIO_Upward Bound	84.047	242,904.63	
East Tennessee State University	TRIO_Upward Bound	84.047	1,220,676.50	
Southwest Tennessee Community College	TRIO_Upward Bound	84.047	290,615.54	
Tennessee State University	TRIO_Upward Bound	84.047	234,722.32	
University of Tennessee	TRIO_Upward Bound	84.047	2,116,025.43	4,992,655.83
Austin Peay State University	TRIO_Educational Opportunity Centers	84.066	\$ 357,384.62	
East Tennessee State University	TRIO_Educational Opportunity Centers	84.066	232,449.74	
Southwest Tennessee Community College	TRIO_Educational Opportunity Centers	84.066	244,915.26	
University of Tennessee	TRIO_Educational Opportunity Centers	84.066	726,739.38	1,561,489.00
East Tennessee State University	TRIO_McNair Post-Baccalaureate Achievement	84.217	\$ 275,847.97	
Middle Tennessee State University	TRIO_McNair Post-Baccalaureate Achievement	84.217	221,780.09	497,628.06
Subtotal Department of Education			\$	10,845,632.95
Total TRIO Cluster			\$	10,845,632.95
Vocational Rehabilitation Cluster				
Department of Education				
Direct Programs				
Human Services	Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	\$	58,383,103.07
Human Services	ARRA-Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	84.390		23,574.06
Subtotal Department of Education			\$	58,406,677.13
Total Vocational Rehabilitation Cluster			\$	58,406,677.13
Early Intervention Services (IDEA) Cluster				

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Department of Education				
Direct Programs				
Education	Special Education-Grants for Infants and Families	84.181	\$	4,697,258.71
Education	ARRA-Special Education - Grants for Infants and Families, Recovery Act	84.393		2,977,830.65
Subtotal Department of Education			\$	7,675,089.36
Total Early Intervention Services (IDEA) Cluster			\$	7,675,089.36
Educational Technology State Grants Cluster				
Department of Education				
Direct Programs				
Education	Educational Technology State Grants	84.318	\$	2,502,985.42
Education	ARRA-Education Technology State Grants, Recovery Act	84.386		5,004,619.37
Subtotal Department of Education			\$	7,507,604.79
Total Educational Technology State Grants Cluster			\$	7,507,604.79
School Improvement Grants Cluster				
Department of Education				
Direct Programs				
Education	School Improvement Grants	84.377	\$	4,603,192.71
Education	ARRA-School Improvement Grants, Recovery Act	84.388		2,463,504.60
Subtotal Department of Education			\$	7,066,697.31
Total School Improvement Grants Cluster			\$	7,066,697.31
State Fiscal Stabilization Fund Cluster				
Department of Education				
Direct Programs				
Education	ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	\$	336,489,642.00
Finance and Administration	ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	80,475,897.47	\$ 416,965,539.47
Education	ARRA-State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	\$	44,174,491.48
Health	ARRA-State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	8,832,029.68	\$ 53,006,521.16

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Subtotal Direct Programs			\$	469,972,060.63
Passed Through United Way of Chattanooga				
University of Tennessee	ARRA-State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397 / ARRA PROJECT DIAB.	\$	18,495.53
University of Tennessee	ARRA-State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397 / PROJECT DIABETES SUB	7,473.27	\$ 25,968.80
Subtotal Pass-Through Programs			\$	25,968.80
Subtotal Department of Education			\$	469,998,029.43
Total State Fiscal Stabilization Fund Cluster			\$	469,998,029.43

Aging Cluster

Department of Health and Human Services

Direct Programs

Commission on Aging and Disability	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	\$	8,394,658.10
Commission on Aging and Disability	Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045		13,850,124.29
Commission on Aging and Disability	Nutrition Services Incentive Program	93.053		1,724,090.00
Commission on Aging and Disability	ARRA-Aging Home-Delivered Nutrition Services for States	93.705		173,217.00
Commission on Aging and Disability	ARRA-Aging Congregate Nutrition Services for States	93.707		416,333.00

Subtotal Department of Health and Human Services \$ 24,558,422.39

Total Aging Cluster \$ 24,558,422.39

Immunization Cluster

Department of Health and Human Services

Direct Programs

Health	Immunization Grants	93.268	\$	5,313,440.22
Health	Immunization Grants (Noncash Award)	93.268	75,384,449.62	\$ 80,697,889.84
Health	ARRA-Immunization	93.712		366,131.05

Subtotal Department of Health and Human Services \$ 81,064,020.89

Total Immunization Cluster \$ 81,064,020.89

TANF Cluster

Department of Health and Human Services

Direct Programs

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Human Services	Temporary Assistance for Needy Families	93.558	\$ 177,411,426.84
Human Services	ARRA-Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	25,778,809.55
Human Services	ARRA-Temporary Assistance for Needy Families (TANF) Supplemental Grants	93.716	21,565,141.00
Subtotal Department of Health and Human Services			\$ 224,755,377.39
Total TANF Cluster			\$ 224,755,377.39

CSBG Cluster

Department of Health and Human Services

Direct Programs

Human Services	Community Services Block Grant	93.569	\$ 12,829,469.74
Human Services	ARRA-Community Services Block Grant	93.710	3,226,459.89
Subtotal Department of Health and Human Services			\$ 16,055,929.63
Total CSBG Cluster			\$ 16,055,929.63

CCDF Cluster

Department of Health and Human Services

Direct Programs

Human Services	Child Care and Development Block Grant	93.575	\$ 126,220,621.23
University of Tennessee	Child Care and Development Block Grant	93.575	42,903.23 \$ 126,263,524.46
Human Services	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	71,408,277.48
Human Services	ARRA-Child Care and Development Block Grant	93.713	1,253,403.71
Subtotal Direct Programs			\$ 198,925,205.65

Passed Through Signal Centers, Incorporated

University of Tennessee	Child Care and Development Block Grant	93.575 / GR-09-25256	\$ 0.60
University of Tennessee	Child Care and Development Block Grant	93.575 / GR-11-31681	453,568.31 \$ 453,568.91
Subtotal Pass-Through Programs			\$ 453,568.91

Subtotal Department of Health and Human Services			\$ 199,378,774.56
Total CCDF Cluster			\$ 199,378,774.56

Head Start Cluster

Department of Health and Human Services

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Direct Programs				
Education	Head Start	93.600	\$ 185,991.05	
Tennessee State University	Head Start	93.600	1,885,551.72	\$ 2,071,542.77
Tennessee State University	ARRA-Head Start	93.708		10,195.88
Tennessee State University	ARRA-Early Head Start	93.709		103,694.15
Subtotal Direct Programs				\$ 2,185,432.80
Passed Through American Alliance for Health				
University of Memphis	Head Start	93.600 / US DHHS VIA AAHPERD		\$ 122,548.69
Passed Through Shelby County Government				
University of Memphis	Head Start	93.600 / CA084475	\$ 84,349.76	
University of Memphis	Head Start	93.600 / CA114475	105,374.26	189,724.02
Subtotal Pass-Through Programs				\$ 312,272.71
Subtotal Department of Health and Human Services				\$ 2,497,705.51
Total Head Start Cluster				\$ 2,497,705.51
Medicaid Cluster				
Department of Health and Human Services				
Direct Programs				
Health	ARRA-Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC- HAI) Prevention Initiative	93.720		\$ 59,000.00
Tennessee Bureau of Investigation	State Medicaid Fraud Control Units	93.775		2,741,585.25
Health	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777		7,460,835.30
Finance and Administration	Medical Assistance Program	93.778	\$ 5,692,053,052.29	
Finance and Administration	ARRA-Medical Assistance Program	93.778	648,897,349.87	6,340,950,402.16
Subtotal Direct Programs				\$ 6,351,211,822.71
Passed Through Shelby County Office of Early Childhood and Youth				
University of Memphis	Medical Assistance Program	93.778 / USDHHS-STATE OF TN- COUNTY		\$ 53,348.40
Passed Through University Health System, Incorporated				
University of Tennessee	Medical Assistance Program	93.778 / GMEP		29,978,161.18
Subtotal Pass-Through Programs				\$ 30,031,509.58
Subtotal Department of Health and Human Services				\$ 6,381,243,332.29
Total Medicaid Cluster				\$ 6,381,243,332.29
Disability Insurance/SSI Cluster				
Social Security Administration				

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues	
Direct Programs				
Human Services	Social Security_Disability Insurance	96.001	\$	65,499,419.80
Subtotal Social Security Administration			\$	65,499,419.80
Total Disability Insurance/SSI Cluster			\$	65,499,419.80
Homeland Security Cluster				
Department of Homeland Security				
Direct Programs				
Military	Homeland Security Grant Program	97.067	\$	17,278,999.78
Subtotal Direct Programs			\$	17,278,999.78
Passed Through City of Knoxville				
University of Tennessee	Homeland Security Grant Program	97.067 / C-09-0173	\$	3,076.69
University of Tennessee	Homeland Security Grant Program	97.067 / C-10-0091	26,664.69	\$ 29,741.38
Passed Through Shelby County Government				
University of Memphis	Homeland Security Grant Program	97.067 / S005387		22,265.00
Subtotal Pass-Through Programs			\$	52,006.38
Subtotal Department of Homeland Security			\$	17,331,006.16
Total Homeland Security Cluster			\$	17,331,006.16
Independent Living State Grants Cluster				
Department of Education				
Direct Programs				
Human Services	Independent Living_State Grants	84.169	\$	319,133.81
Human Services	ARRA-Independent Living State Grants, Recovery Act	84.398		215,660.36
Subtotal Department of Education			\$	534,794.17
Total Independent Living State Grants Cluster			\$	534,794.17
Independent Living Services for Older Individuals Who Are Blind Cluster				
Department of Education				
Direct Programs				
Human Services	Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	\$	726,186.92
Human Services	ARRA-Independent Living Services for Older Individuals Who are Blind, Recovery Act	84.399		286,517.15
Subtotal Department of Education			\$	1,012,704.07

State of Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

State Grantee Agency	Program Name	CFDA / Other Identifying Number	Disbursement/Issues
Total Independent Living Services for Older Individuals Who Are Blind Cluster			<u>\$ 1,012,704.07</u>
Education of Homeless Children and Youth Cluster			
Department of Education			
Direct Programs			
Education	Education for Homeless Children and Youth	84.196	<u>\$ 573,955.26</u>
Education	ARRA-Education for Homeless Children and Youth, Recovery Act	84.387	<u>157,184.03</u>
Subtotal Department of Education			<u>\$ 731,139.29</u>
Total Education of Homeless Children and Youth Cluster			<u>\$ 731,139.29</u>
Teacher Quality Partnership Grants Cluster			
Department of Education			
Passed Through Council for Economic Education			
University of Tennessee	Teacher Quality Partnership Grants	84.336 / TT-0901600	<u>\$ 13,836.67</u>
Subtotal Department of Education			<u>\$ 13,836.67</u>
Total Teacher Quality Partnership Grants Cluster			<u>\$ 13,836.67</u>
Teacher Incentive Fund Cluster			
Department of Education			
Direct Programs			
Education	Teacher Incentive Fund	84.374	<u>\$ 4,949.37</u>
Subtotal Department of Education			<u>\$ 4,949.37</u>
Total Teacher Incentive Fund Cluster			<u>\$ 4,949.37</u>
Grand Total Federal Assistance			<u><u>\$ 16,954,415.987.95</u></u>

The accompanying notes are an integral part of this schedule.

State of Tennessee
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2011

NOTE 1. PURPOSE OF THE SCHEDULE

The Single Audit of the State of Tennessee for the year ended June 30, 2011, was conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, which requires a disclosure of the financial activities of all federally funded programs. To comply with the circular, the Department of Finance and Administration required each department, agency, and institution that expended direct or pass-through federal funding during the year to prepare a schedule of expenditures of federal awards and reconciliations with both the state's accounting system and grantor financial reports. The schedules for the departments, agencies, and institutions were combined to form the Schedule of Expenditures of Federal Awards for the State of Tennessee. The schedules for the technology centers have been combined with the schedules for the community colleges designated as their lead institutions.

NOTE 2. BASIS OF ACCOUNTING FOR PRESENTATION OF SCHEDULE

The Schedule of Expenditures of Federal Awards is reported on the accrual basis of accounting.

NOTE 3. UNEMPLOYMENT INSURANCE

State unemployment tax revenues and other payments and revenues are combined with federal funds and used to pay benefits under the Unemployment Insurance (CFDA 17.225) program. The state and federal portions of the total expenditures reported in the Schedule of Expenditures of Federal Awards were \$551,329,257.13 and \$1,024,550,902.89, respectively.

NOTE 4. LOAN AND LOAN GUARANTEE PROGRAMS

Federal Perkins Loan Program_Federal Capital Contributions (CFDA 84.038); Nurse Faculty Loan Program (NFLP) (CFDA 93.264); Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (CFDA 93.342); and Nursing Student Loans (CFDA 93.364): Institutions of higher education within the state reporting entity administer these federal student loan programs. Expenditures of federal awards in the accompanying Schedule of Expenditures of Federal Awards include the value of new loans made during the year, the balance of loans from previous years due to federal continuing compliance requirements, and administrative cost allowances.

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Loan balances outstanding at year-end:

<u>Program</u>	<u>CFDA #</u>	<u>Amount Outstanding</u>
Federal Perkins Loan Program_Federal Capital Contributions	84.038	\$48,512,543.43
Nurse Faculty Loan Program (NFLP)	93.264	\$228,831.93
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	\$1,455,268.32
Nursing Student Loans	93.364	\$46,913.80

Federal Family Education Loans (CFDA 84.032) and Federal Direct Student Loans (CFDA 84.268): The loans under these programs are made by outside lenders to students at institutions of higher education within the state reporting entity. The institutions are responsible for certain administrative requirements for new loans. As a result, the value of loans made during the year and administrative cost allowances are recognized as expenditures of federal awards in the accompanying Schedule of Expenditures of Federal Awards. The balance of loans for previous years is not included because the lender accounts for the prior balances.

The Federal Family Education Loans are insured by the Tennessee Student Assistance Corporation (TSAC), a component unit. At June 30, 2011, the insured loans outstanding totaled \$3,739,313,898.90. Expenditures of the federal award to TSAC for administrative cost allowances and payments on defaulted loans are reported in the unclustered section of the accompanying Schedule of Expenditures of Federal Awards.

NOTE 5. SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual state level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our

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reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for approximately 16.55 percent of USDA's total expenditures for SNAP benefits in the federal fiscal year ended September 30, 2011.

NOTE 6. STATE ENERGY PROGRAM

The expenditures for State Energy Program (CFDA 81.041) reported in this Schedule of Expenditures of Federal Awards are the amounts paid by the University of Tennessee (UT) to non-state entities plus expenditures paid by the Department of Economic and Community Development (ECD) directly to non-state entities. These expenditures do not agree to the expenditures reported on federal reports under the American Recovery and Reinvestment Act (ARRA).

ECD received ARRA funds from the United States Department of Energy (DOE) for the State Energy Program. ECD transferred the majority of the funds to UT to administer the program, in accordance with the grant agreement. Based on advice from DOE, ECD reported the transfer to UT as expenditures to a subrecipient on Federal reports as allowed under ARRA. UT is a part of the state reporting entity and, therefore, not defined by the state as a subrecipient of ECD. Therefore, the transfers to UT do not become expenditures of ECD until UT pays the funds to a non-state entity.